



Investment Reports

Quarterly Report – December 31, 2005

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Dated: January 12, 2006



Commingled Trust Fund (CTF)

Quarterly Report – December 31, 2005

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Capital Markets

- ❖ The Dow Jones Wilshire 5000 index returned 2.2 percent for the quarter, making the 1 year return to 6.4 percent.
- ❖ Small cap, as measured by the Russell 2000, earned 1.1 percent for the quarter, underperforming large cap (Russell 1000) by almost 100 basis points. Large cap also outperformed for the year earning 6.3 percent to small caps 4.6 percent.
- ❖ This quarter growth outperformed value by approximately 170 basis points (2.9 versus 1.2 percent) using the Russell 3000 series. However, on a yearly basis, growth underperformed value by almost 170 basis points.
- ❖ The non-U.S. equity market, as measured by the MSCI ACWI ex U.S., outperformed the U.S. equity market by 217 basis points. Of the 48 countries in the MSCI ACWI ex U.S. Index, all but fifteen of the forty-eight countries had positive returns for the quarter in U.S. dollars. The lowest returning country, Hungary, was at negative 14.4 percent in U.S. dollars, and the highest returning country, Columbia, was at 42.3 percent.
- ❖ In the Lehman indices, emerging markets had the highest return for both the quarter and year earning 2.8 and 12.1 respectively. For the quarter, the long end of the curve outperformed the short end with the 30 year Treasury Bond earning 1.5 percent and the 3 month T-Bill earning 0.9 percent. The middle part of the curve performed the lowest with the two-year Treasury Note at 0.6 percent.
- ❖ For the fourth quarter of 2005, the best performers in the NCREIF were hotel, at 6.2 percent, and the Eastern region, at 5.7 percent. Total return for the index was 5.4 percent.
- ❖ GDP dropped to 1.1 percent for the quarter. Inflation, as measured by CPI, was down -0.4 percent.
- ❖ The Fed raised the federal funds rate 25 basis points two times during the quarter, increasing the rate from 3.75 percent to 4.25 percent.

Total Fund

- ❖ The CTF increased in size during the quarter growing approximately \$1.5 billion to almost \$50.9 billion.
- ❖ For the year, the fund has grown by over \$3.4 billion dollars.

Asset Allocation

- ❖ All asset classes in the CTF are within their new long-term target ranges. Almost 2.5 billion was transferred to International Equity from U.S. Equity. An additional 375 million was transferred out of U.S. Equity to fund net participant withdrawals.

Investment Return

- ❖ The CTF's return for the fourth quarter of 2005 was a positive 3.8 percent, bringing the one-year return to 13.7 percent.
- ❖ The fund outperformed all benchmarks for all periods except for underperforming the Implementation Value Added for the three-year period.

U.S. Equity

- ❖ The WSIB U.S. equity portfolio slightly underperformed the Dow Jones Wilshire 5000 for the quarter and five year. It outperformed for the, one-, three-, and ten-year periods. All periods were well within the expected tracking error.

International Equity

- ❖ The WSIB non-U.S. equity portfolio underperformed the passive benchmark for the quarter by 37 basis points and the one-year period by 37 basis points.
- ❖ Four of the ten developed managers outperformed for the quarter. Seven of the ten managers are outperforming for one-year. Mondrian continues to outperform by 570 basis points on an annualized basis for the five-year period.
- ❖ Two of the three emerging market managers outperformed for the quarter and the year. Only GMO has outperformed both the three-, and five-year periods.

Fixed Income

- ❖ The WSIB outperformed the Lehman Universal by 19 basis points for the quarter and 37 basis points for the year. Over the longer time frames, one-, three-, five-, and ten-year the WSIB portfolio continues to outperform both the Lehman Universal and the Lehman Aggregate.

Private Equity

- ❖ The WSIB private equity return for the fourth quarter was 8.8 percent. The one-year return was 37.5 percent, higher than the benchmark, S&P 500 plus 500 basis points, at 17.3 percent.
- ❖ The WSIB LP portfolio returned 6.23 percent, and the WSIB KKR portfolio returned 17.2 percent for the quarter.
- ❖ As of September 30, 2005, there were \$5.3 billion in open commitments.

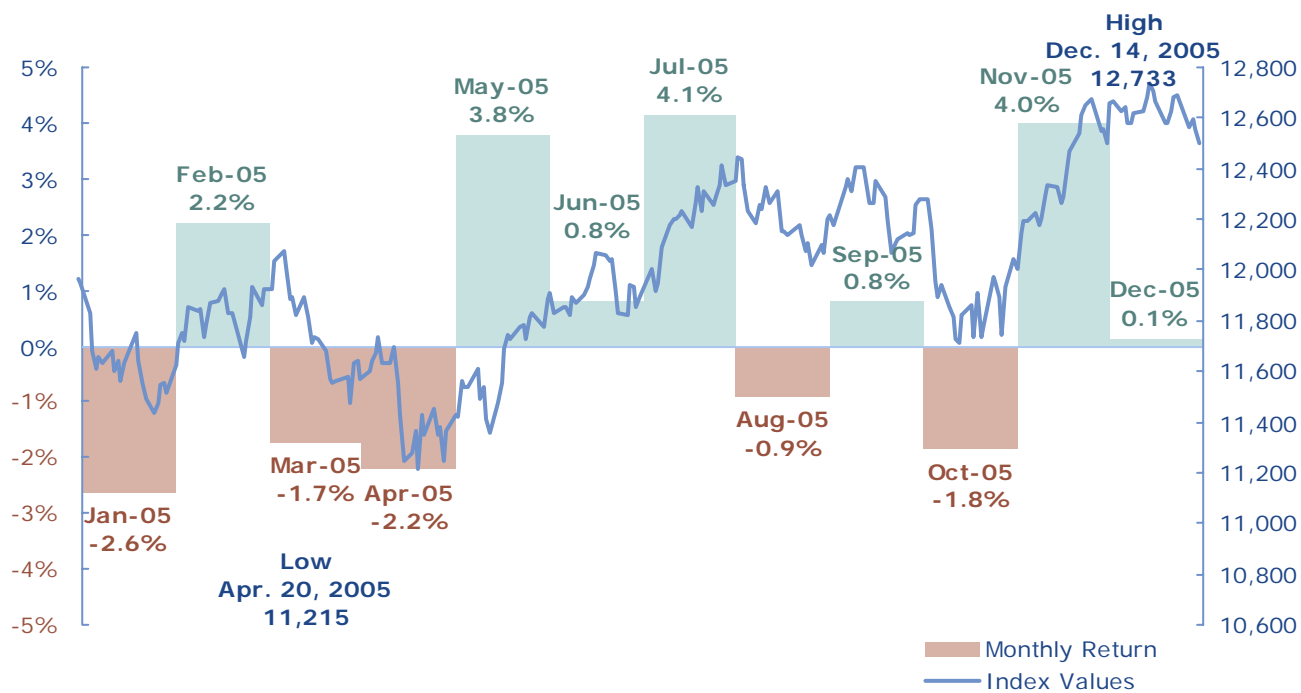
Real Estate

- ❖ The WSIB Real Estate return for the fourth quarter was 6.4 percent, higher than the NCREIF (lagged on quarter) plus 100 basis point index of 4.7 percent. For the one-year period, the return of 28.9 percent was 874 basis points above the NCREIF (lagged one quarter) plus 100 basis point index of 20.2 percent.
- ❖ As of September 30, 2005, there were \$5.0 billion in open commitments.

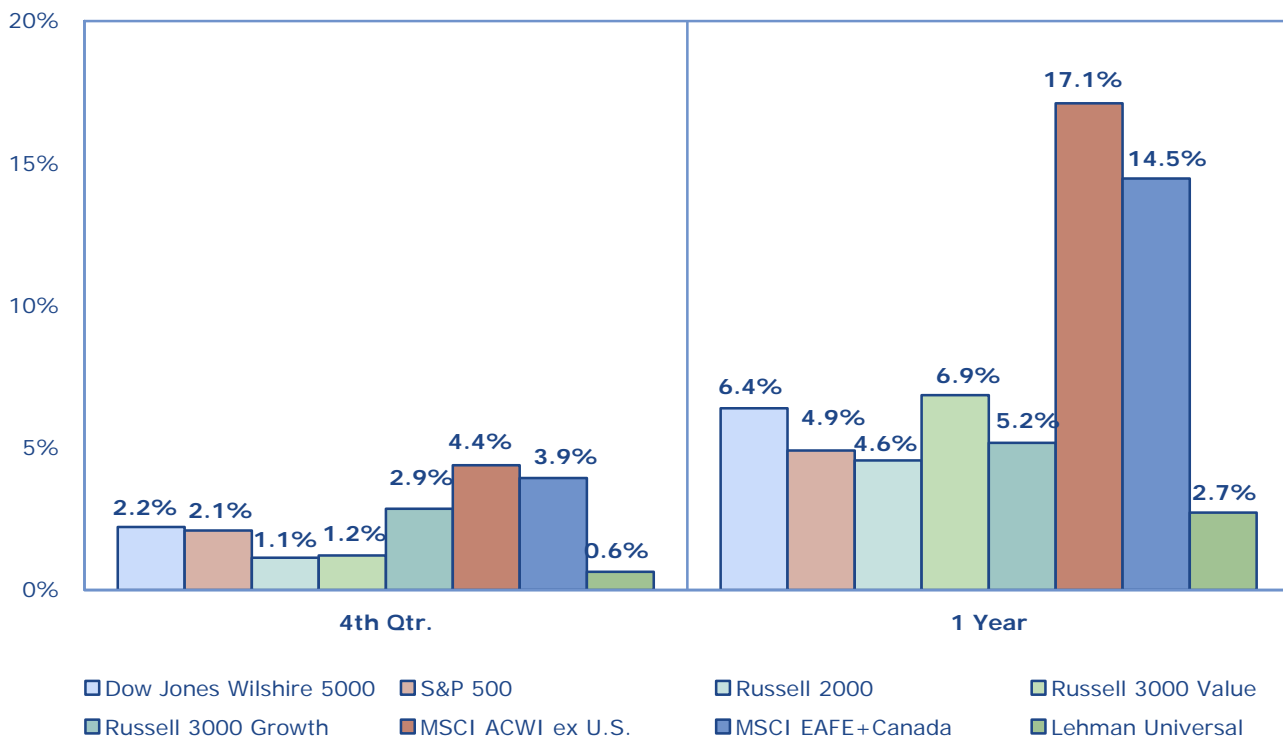


Dow Jones Wilshire 5000

December 31, 2004 - December 31, 2005

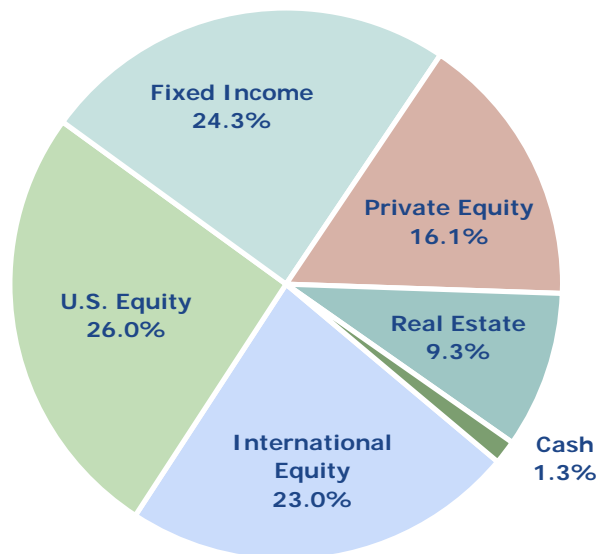


Capital Market Returns

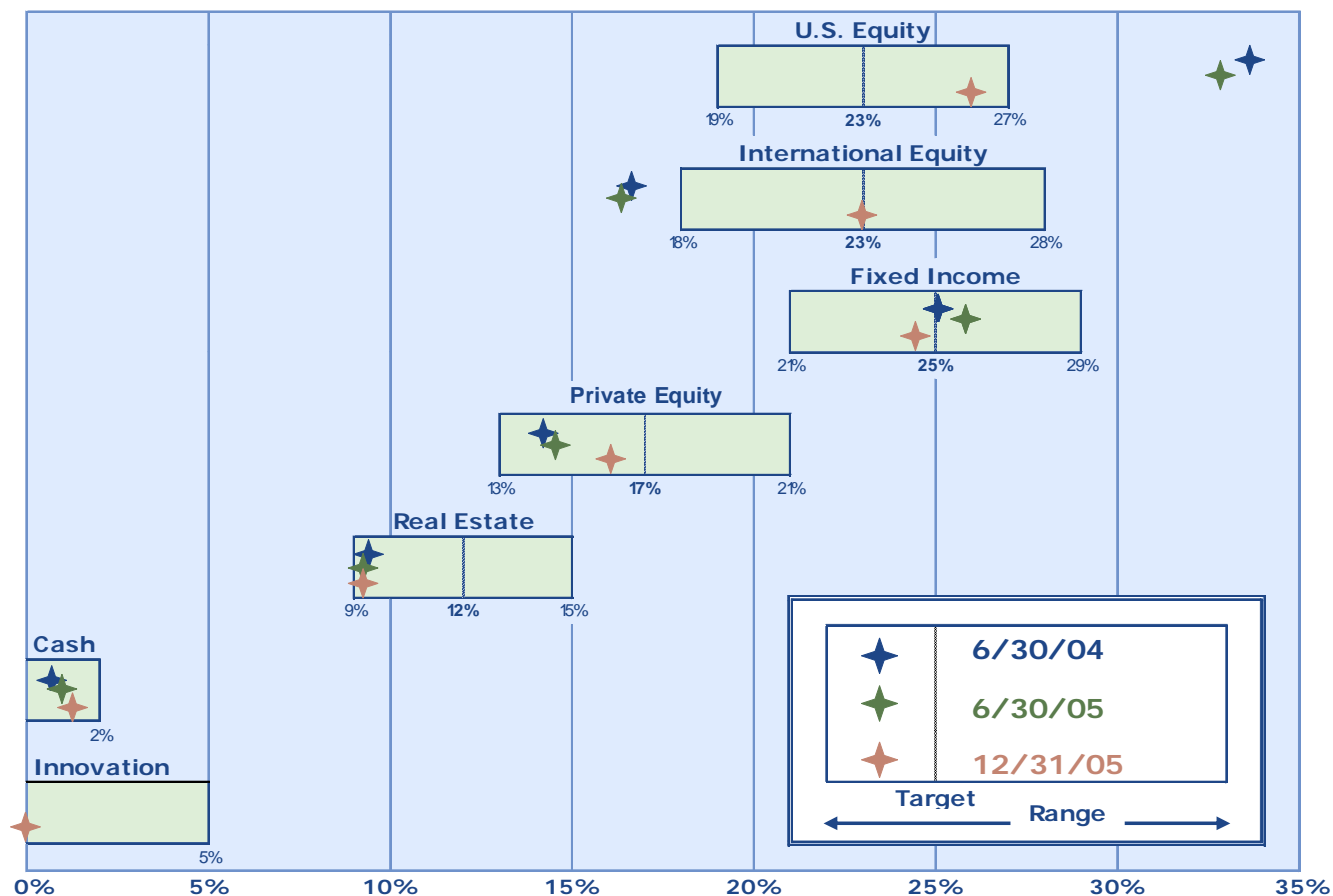




Asset Class	Market Value (000s)
U.S. Equity	\$ 13,218,927
International Equity	11,681,043
Fixed Income	12,393,239
Private Equity	8,182,196
Real Estate	4,738,010
Cash	678,847
Total Fund	\$ 50,892,264



Current Allocation Versus Long-Term Targets and Policy Ranges





Market Values in \$000s

			Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	\$ 50,892,264	100.0%	3.83 %	8.98 %	13.68 %	15.48 %	6.23 %	9.51 %
Passive Benchmark ²			2.55	6.72	7.51	14.96	4.23	8.06
Implementation Value Added Benchmark ³			3.22	7.38	11.03	15.75	5.66	N/A
TUCS Public Fund >\$1B Median ⁴			2.34	6.47	7.84	13.99	5.41	8.46
TUCS Public/Corporate Fund >\$1B Median ⁴			2.41	6.67	8.27	14.43	5.44	8.92
U.S. Equity	\$ 13,218,927	26.0%	2.17 %	6.31 %	6.44 %	16.42 %	2.06 %	9.23 %
Dow Jones Wilshire 5000			2.22	6.34	6.39	16.36	2.11	9.16
S&P 500			2.09	5.77	4.91	14.39	0.55	9.07
Int'l. Equity	\$ 11,681,043	23.0%	4.02 %	15.98 %	16.74 %	25.32 %	6.64 %	6.60 %
MSCI ACWI ex U.S.			4.39	16.74	17.11	26.20	6.66	6.70
MSCI EAFE			4.08	14.88	13.54	23.68	4.55	5.84
Fixed Income	\$ 12,393,239	24.3%	0.73 %	0.70 %	3.09 %	5.05 %	6.84 %	6.60 %
Lehman Universal			0.64	0.20	2.72	4.49	6.26	6.35
Cash	\$ 678,847	1.3%	1.23 %	2.23 %	3.60 %	2.02 %	2.47 %	3.61 %
90 Day T-Bills			0.92	1.75	3.07	1.84	2.34	3.88
Private Equity⁵	\$ 8,182,196	16.1%	8.82 %	19.43 %	37.52 %	20.99 %	7.34 %	15.77 %
S&P 500 (Lagged One Quarter) + 500 bp			4.84	7.47	17.25	21.72	3.51	14.49
Real Estate⁵	\$ 4,738,010	9.3%	6.39 %	9.86 %	28.93 %	17.72 %	14.95 %	14.93 %
NCREIF (Lagged One Quarter) + 100 bp			4.69	10.52	20.19	14.04	11.95	12.63
CPI			-0.40 %	1.85 %	3.40 %	2.87 %	2.51 %	2.53 %

¹ Performance figures are net of all non-appropriated fees.

² Currently 52% Dow Jones Wilshire 5000, 25% Lehman Universal, and 23% MSCI ACWI ex U.S. Over time the benchmark has been adjusted by changing both benchmarks and percentages. The most recent change occurred on December 1st, 2005.

³ See the glossary on page 20 for definitional implementation value added benchmark.

⁴ TUCS returns have been adjusted to reflect fees equivalent to those incurred by the WSIB (6.5 bp over one, three, and five years and 10 bp for ten years).

⁵ Private equity and real estate use the latest market value known plus cash flows since then. For compositing purposes the private equity and real estate return are calculated using monthly time-weighted returns.



Market Values in \$000s

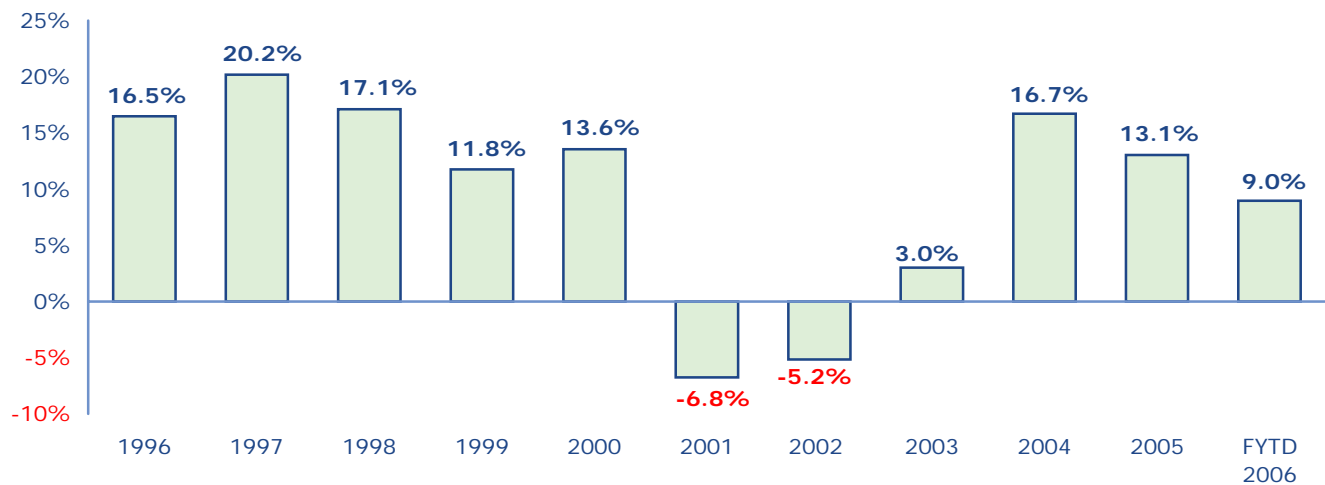
CTF Market Value: **\$ 50,892,264**

Net Change this Quarter: **\$ 1,537,250**

Net Change for Fiscal Year: **\$ 3,430,495**

Annual Performance

Fiscal Years Ended June 30



Assets Under Management (\$ Billions)

Fiscal Years Ended June 30



Market Values in \$000s

Market Value: \$13,218,927

Ten Largest Holdings (3,973 total holdings versus 5,000 in the index)

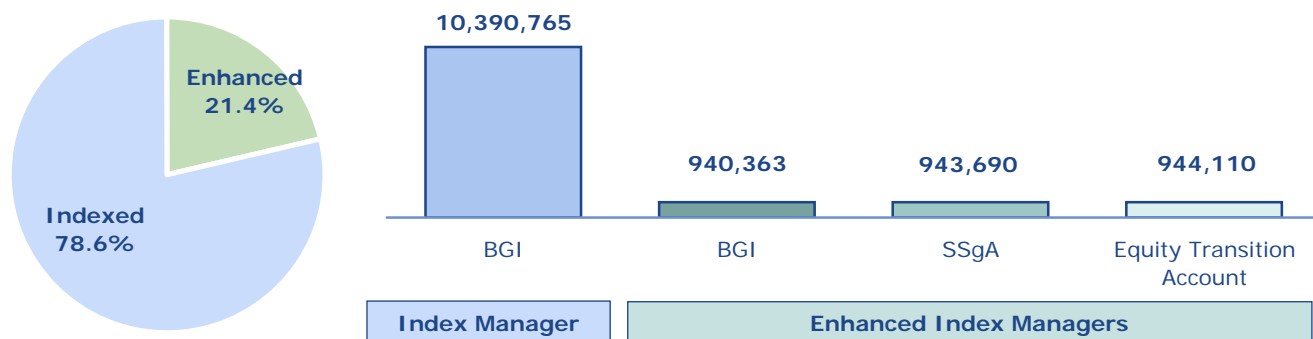
General Elec Co	2.51%	Procter And Gamble Co	1.36%
Exxon Mobil Corp	2.50%	Pfizer Inc	1.27%
Citigroup Inc	1.80%	Johnson + Johnson	1.26%
Microsoft Corp	1.74%	Intel Corp	1.12%
Bank Amer Corp	1.36%	American Intl Group Inc	1.05%

The top ten companies represent almost 16.0% of the portfolio, the top 100 approximately 51.2%

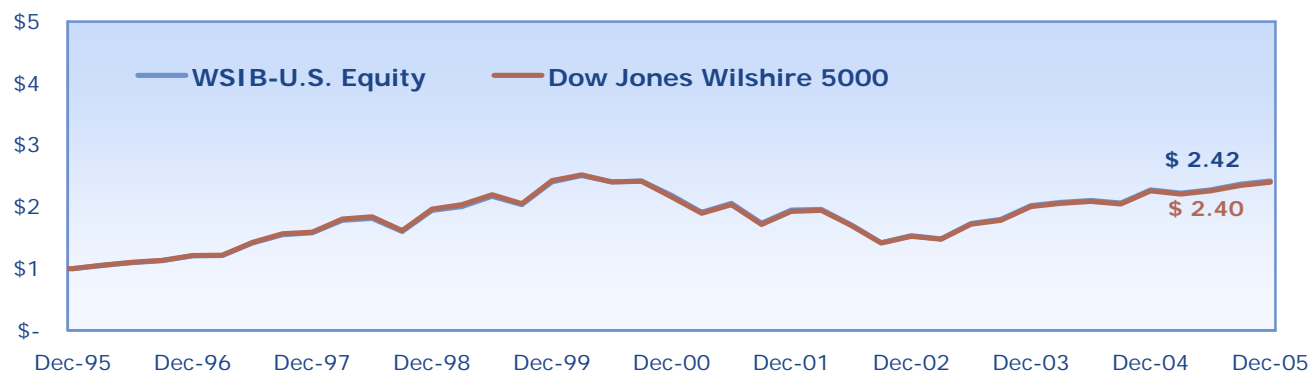
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB U.S. Equity	2.17 %	6.31 %	6.44 %	16.42 %	2.06 %	9.23 %
Dow Jones Wilshire 5000	2.22	6.34	6.39	16.36	2.11	9.16
S & P 500	2.09	5.77	4.91	14.39	0.55	9.07
Russell 3000	2.04	6.13	6.12	15.90	1.58	9.20

Manager Breakdown



Growth of a Dollar





Market Values in \$000s

Market Value: \$11,681,043

The portfolio has 2,508 holdings versus 2,061 in the index. The top ten holdings represent about 6.7 percent of the portfolio and the top 100 approximately 43.5 percent. The portfolio has exposure to 61 countries: 22 developed, 25 emerging, and 14 other (as defined by MSCI ACWI ex U.S.).

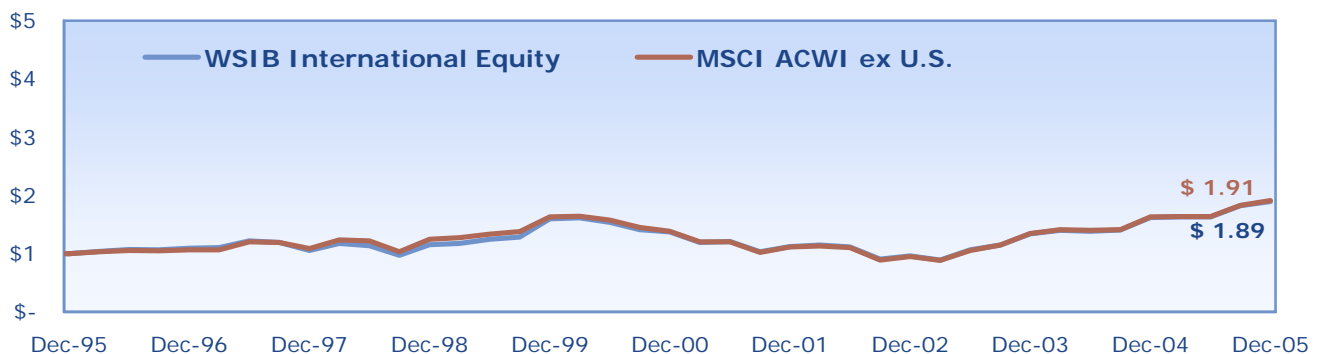
Ten Largest Exposures by Country

	CTF Weight	Index Weight		CTF Weight	Index Weight
Japan	22.25%	20.73%	Canada	4.57%	6.10%
United Kingdom	17.66%	19.39%	Australia	3.95%	4.23%
France	8.35%	7.53%	Netherlands	3.50%	2.75%
Germany	5.90%	5.48%	Spain	3.25%	2.99%
Switzerland	5.28%	5.59%	Italy	3.20%	3.06%

The ten largest country exposures comprise 77.9% of the portfolio versus the index at 77.8%.

Performance

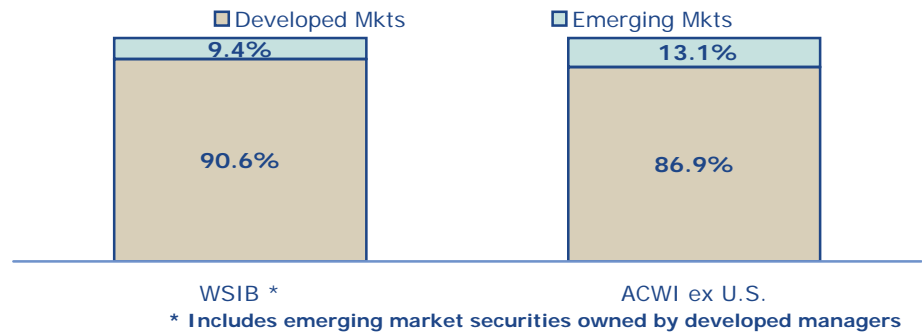
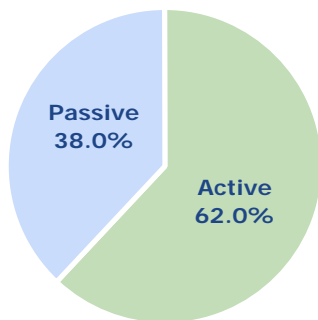
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB International Equity	4.02 %	15.98 %	16.74 %	25.32 %	6.64 %	6.60 %
MSCI ACWI ex U.S.	4.39	16.74	17.11	26.20	6.66	6.70
MSCI EAFE+Canada	3.94	15.29	14.47	24.32	4.92	6.11
Emerging Markets (MSCI after 6/02; IFC before)	7.18	26.42	34.00	37.88	20.63	7.80
MSCI Europe	1.95	9.84	9.42	22.37	3.68	9.38
MSCI Pacific Basin	8.60	26.46	22.64	26.42	6.46	1.10

Growth of a Dollar

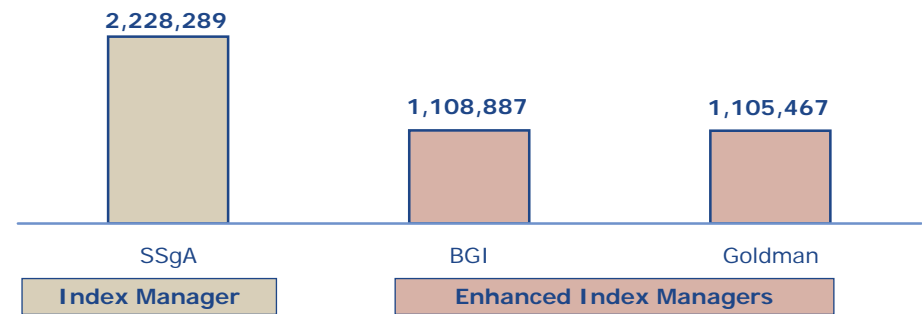
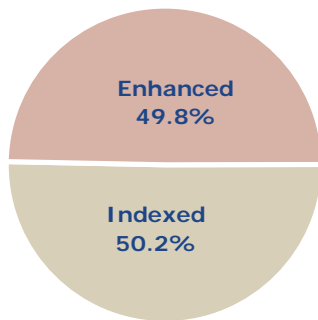


Market Values in \$000s

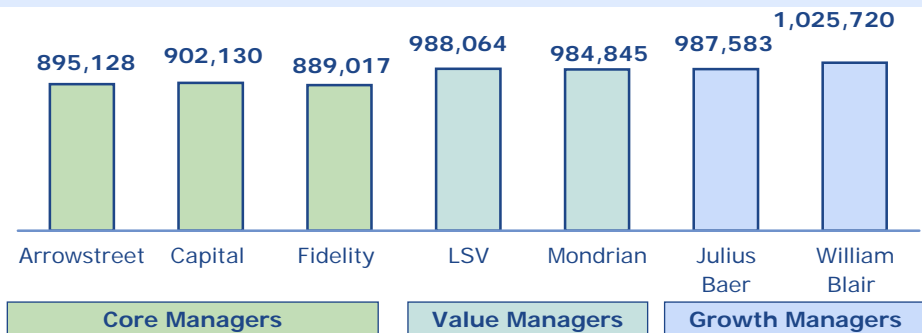
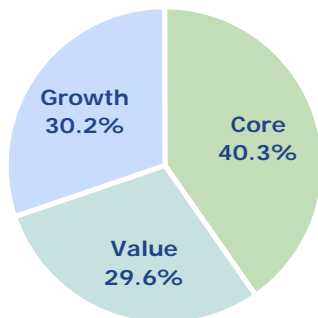
Total International Equity: \$ 11,681,043



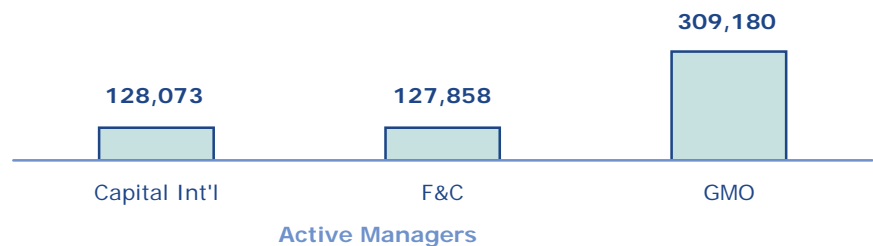
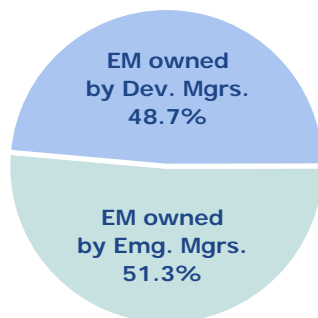
Passive Developed Managers: \$ 4,442,643



Active Developed Managers: \$ 6,672,487



Emerging Managers: \$ 565,111

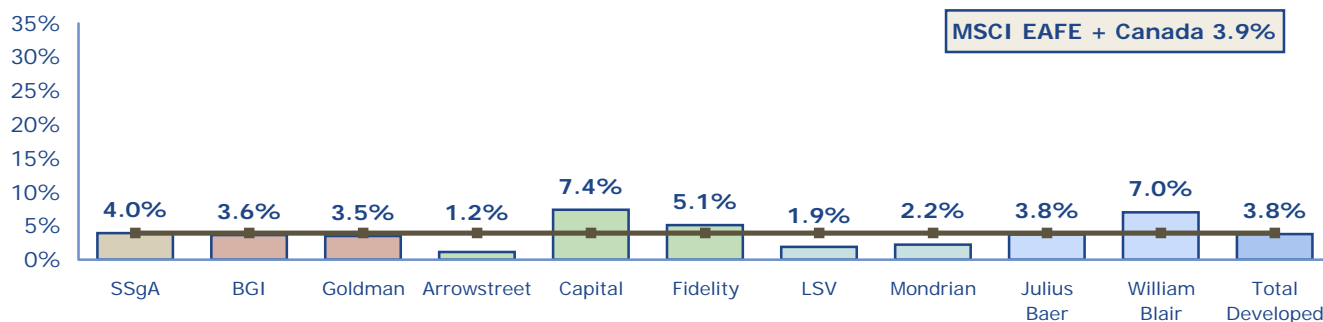




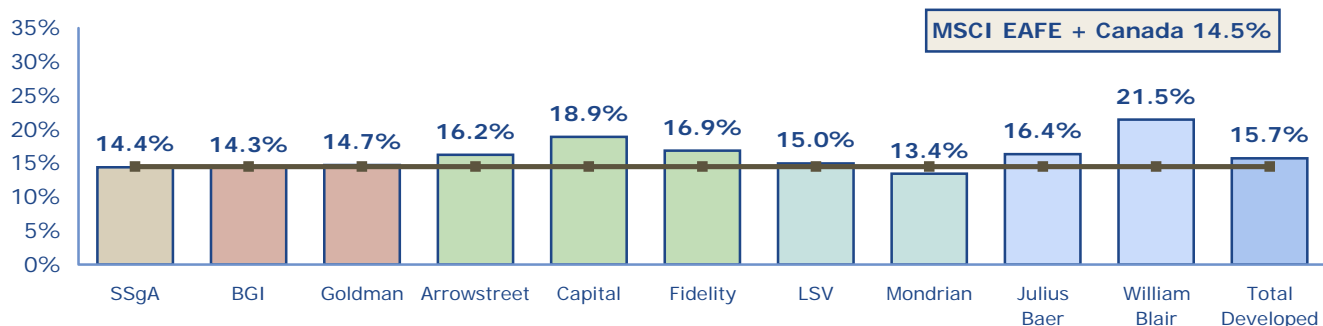
International Equity - Developed Markets Manager Returns

Quarter Ended December 31, 2005

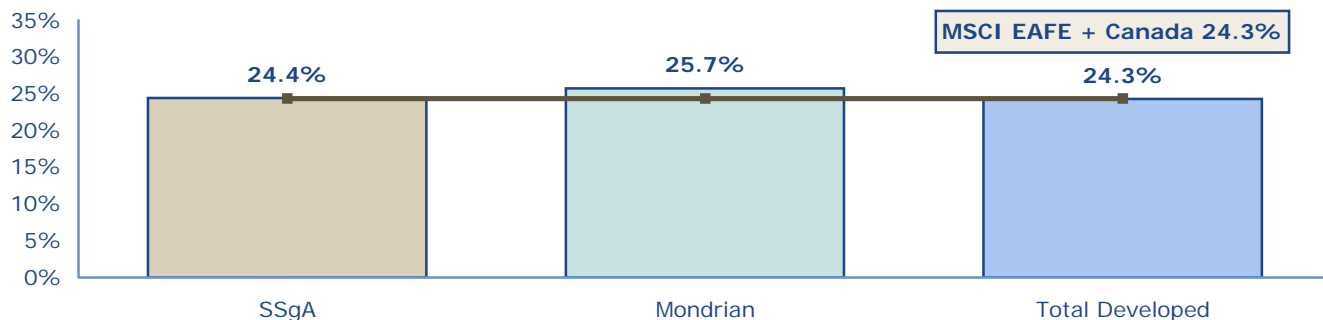
One Quarter



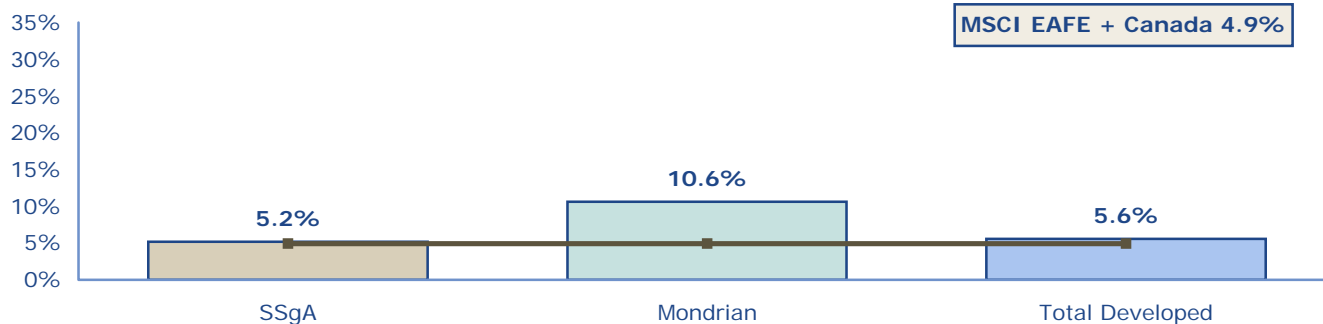
One Year



Three Years

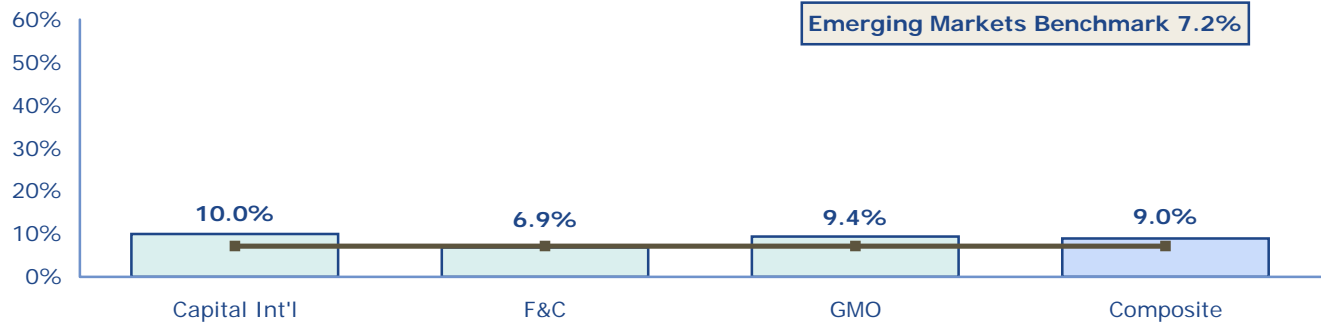


Five Years

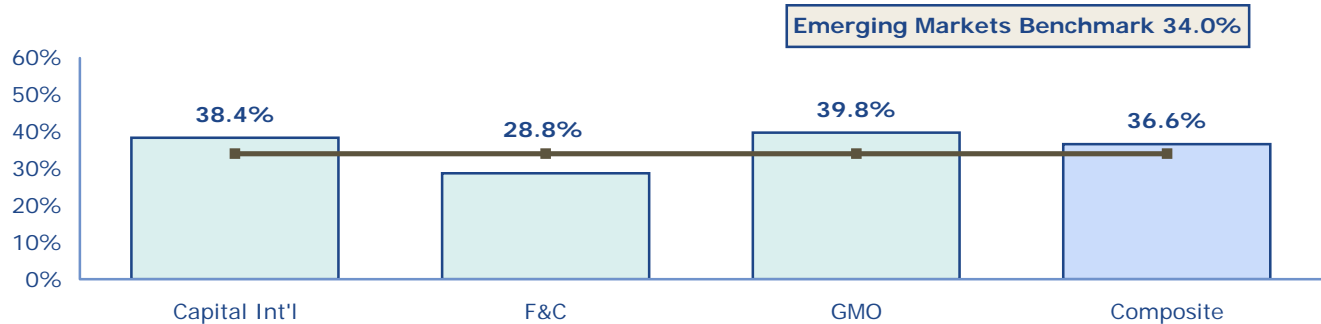




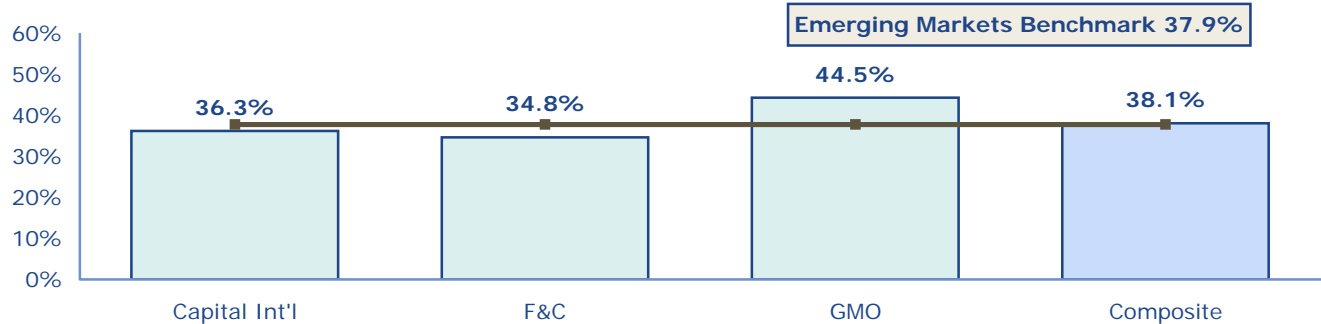
One Quarter



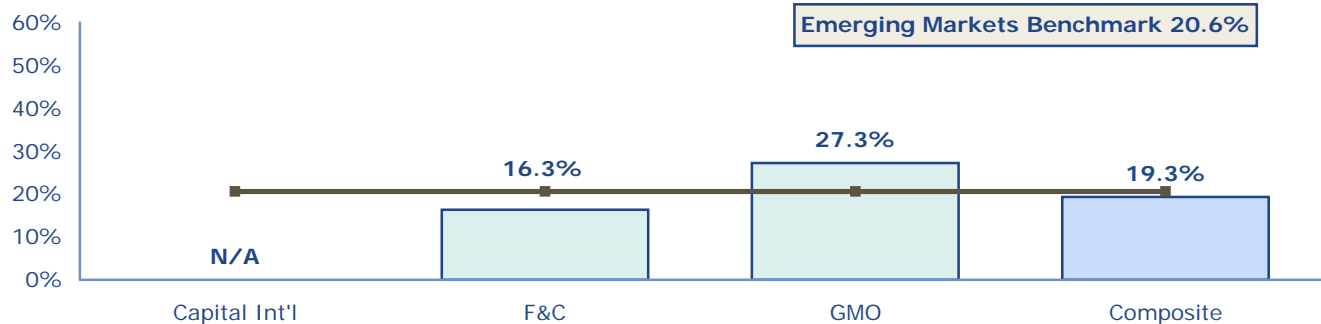
One Year



Three Years



Five Years



Market Values in \$000s

Market Value: \$ 12,393,239

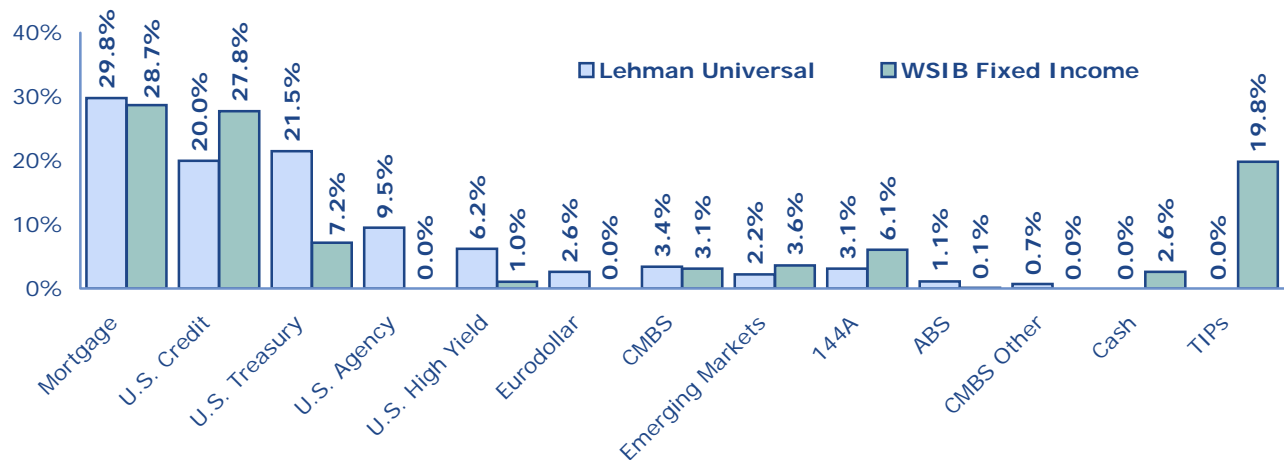
Duration

	Sep-05	Dec-05
WSIB Portfolio	4.32	4.24
Lehman Universal	4.51	4.61
Difference	-4.21%	-8.03%

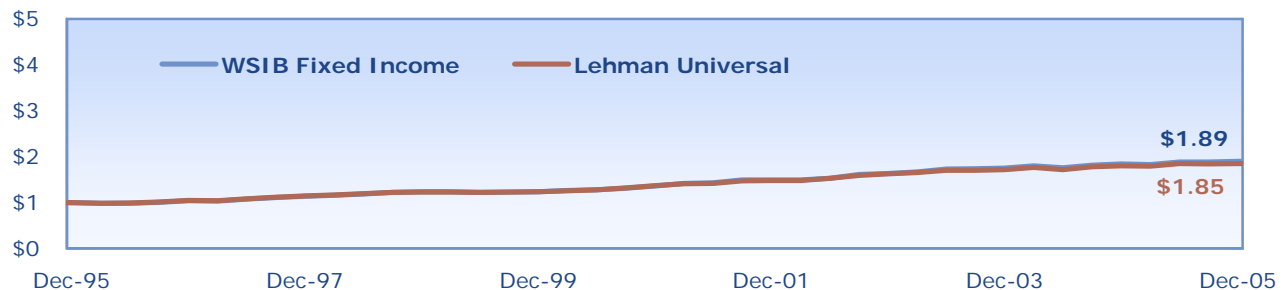
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Fixed Income	0.73 %	0.70 %	3.09 %	5.05 %	6.84 %	6.60 %
Lehman Universal	0.64	0.20	2.72	4.49	6.26	6.35
Lehman Aggregate	0.59	-0.08	2.43	3.62	5.87	6.16

Sector Weighting



Growth of a Dollar



Market Values in \$000s

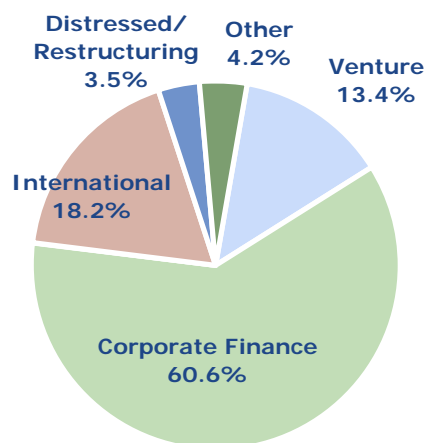
Market Value: \$8,182,196
Unfunded Commitments: \$5.3 billion

Net Performance

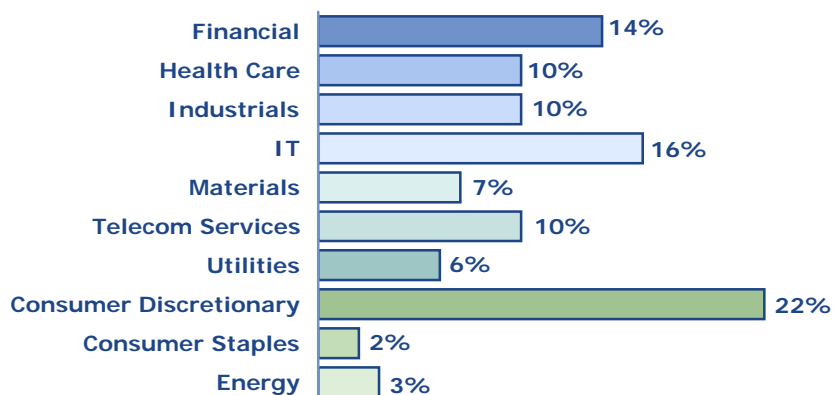
	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Private Equity	8.82%	19.43%	37.52%	20.99%	7.34%	15.77%
KKR	17.23%	21.53%	51.99%	26.27%	13.50%	15.35%
LP Portfolio	6.23%	18.77%	33.73%	19.15%	5.23%	16.21%
S&P 500 (Lagged One Quarter) + 500 bp	4.84%	7.47%	17.25%	21.72%	3.51%	14.49%

Return is calculated using geometrically linked monthly return. For true IRR return please see PCG's quarterly report.

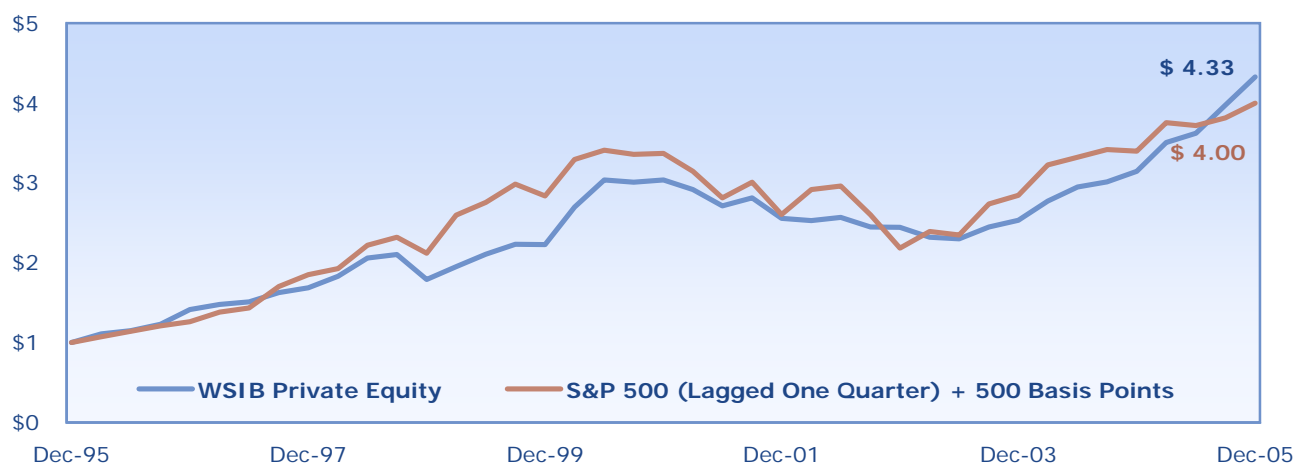
Sector Distribution



Industry Distribution



Growth of a Dollar



Performance numbers are as of December 31, 2005. All other data is as of September 30, 2005.

Market Values in \$000s

Market Value: \$4,738,010
Unfunded Commitments \$5.0 billion

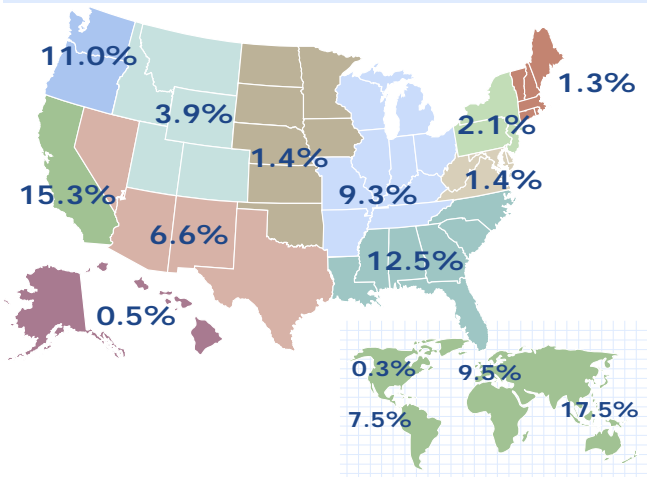
Net Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
CTF Real Estate	6.39%	9.86%	28.93%	17.72%	14.95%	14.93%
NCREIF (Lagged One Quarter) + 100 bp	4.69%	10.52%	20.19%	14.04%	11.95%	12.63%

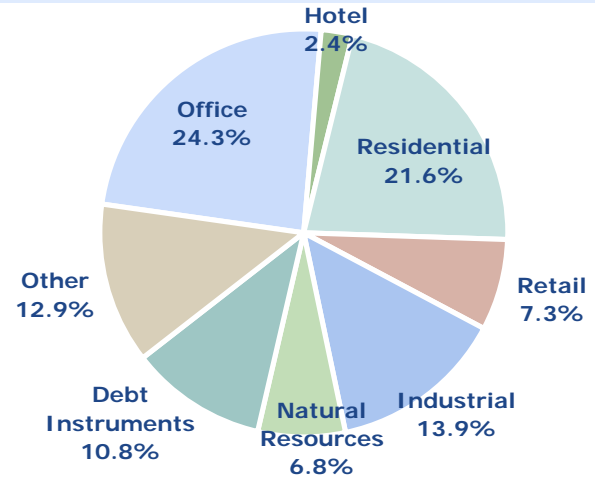
Largest Managers

Principal Enterprise Capital (PEC)	15.7%
Hudson Advisors (LoneStar)	15.3%
Hometown	15.1%
Pacific Realty Associates, L.P. (PacSIB, PacTrust)	8.6%
Morgan Stanley	7.4%
Representation in the Real Estate portfolio	62.1%

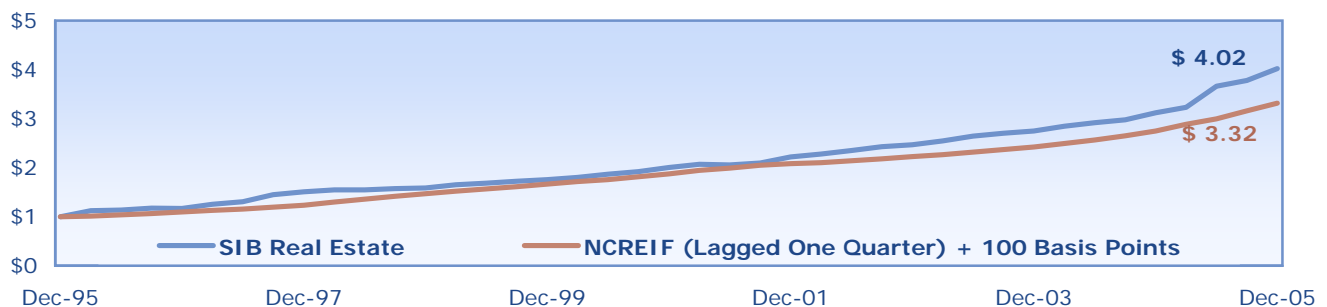
Geographical Distribution



Property Type Distribution



Growth of a Dollar



Performance numbers are as of December 31, 2005. All other data is as of September 30, 2005.



Numbers in %

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	2.09%	5.77%	4.91%	14.39%	0.55%	9.07%

U.S. Equity

Barclays Global Investors	2.17%	6.31%	6.44%	16.42%	2.06%	
U.S. Equity Composite	2.17%	6.31%	6.44%	16.42%	2.06%	9.23%

International Equity

Developed Markets

State Street Global Advisors	3.95%	15.33%	14.41%	24.44%	5.18%	
Barclays Global Investors	3.64%	14.96%	14.33%			
Goldman Sachs Asset Mgt.	3.50%	14.44%	14.72%			
Arrowstreet Capital, L.P	1.16%	11.91%	16.24%			
Fidelity Management Trust Co.	5.14%	16.66%	16.87%			
Capital Guardian Trust Co.	7.38%	20.84%	18.90%			
Mondrian Investment Partners	2.22%	11.47%	13.43%	25.72%	10.61%	
LSV Asset Management	1.89%	13.48%	14.98%			
William Blair & Company	7.02%	19.31%	21.45%			
Julius Baer Investment Mgt.	3.75%	17.51%	16.35%			

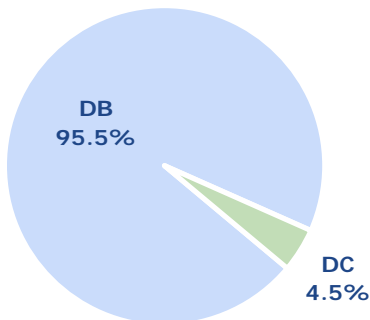
Emerging Markets

Capital International, Inc.	10.02%	27.99%	38.35%	36.28%		
F&C Emerging Markets Limited	6.89%	26.13%	28.76%	34.75%	16.34%	
Grantham, Mayo, Van Otterloo	9.40%	29.38%	39.80%	44.47%	27.25%	

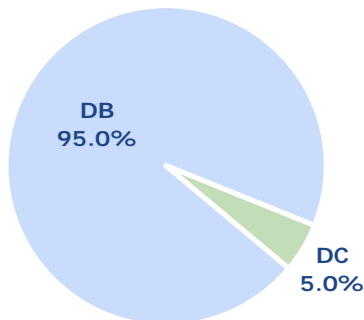
International Equity Composite	4.02%	15.98%	16.74%	25.32%	6.64%	6.60%
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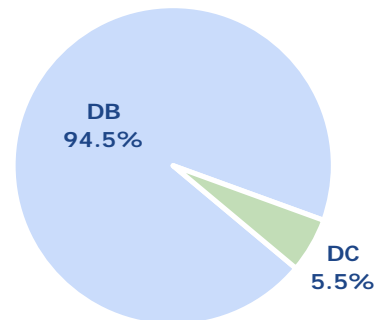
Defined Benefit and Defined Contribution Breakdown in the CTF



Dec-03

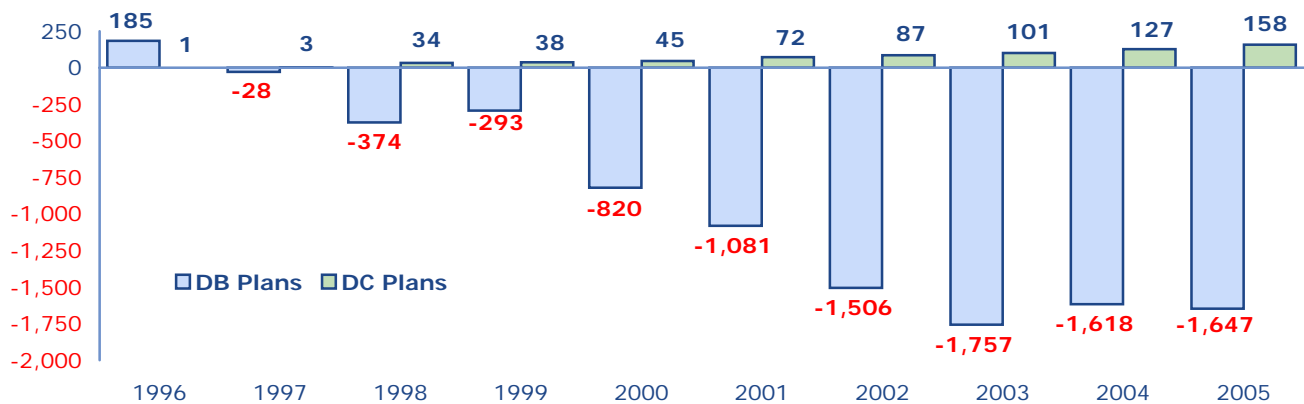


Dec-04



Dec-05

Yearly Cash Flow History*



Monthly Cash Flow History*



* Only includes new cash to/from the portfolio; does not include DB/DC transfers between Plan 2 and Plan 3 that stay inside the CTF. Numbers are historical and are not indicative of future transfers.

Enhanced Indexed

Barclays Global Investors

BGI provides the WSIB with an enhanced index equity commingled fund, the Russell 3000 Alpha Tilts Strategy. This strategy is a bottom-up, style-neutral quantitative strategy designed to outperform the Russell 3000 Index by 30-80 basis points net of fees on a rolling three year average, while incurring a low level of risk of 1 percent or less. BGI's Alpha Tilts investment philosophy holds that superior investment outcomes are most reliably reached through Total Performance Management, the management of return, risk, and cost. They believe that markets are not perfectly efficient and that misvaluations can be used to systematically add value over time. The WSIB has invested in the Russell 3000 Alpha Tilts Strategy since December 2005.

State Street Global Advisors

SSgA manages a U.S. enhanced index equity account, the Russell 3000 Index Plus Strategy. This strategy employs a quantitative, style neutral, beta neutral and capitalization neutral investment process that seeks to outperform the Russell 3000 Index by 75 to 125 basis points gross of fees over a typical market cycle while exhibiting similar characteristics to the benchmark and a targeted tracking error of 150 basis points. The Russell 3000 Index Plus Strategy seeks to add value by selecting the best stocks and industries within the Russell 3000 Index. These evaluations are applied within a risk controlled framework to construct portfolios that provide core equity exposure and closely track the benchmark. The WSIB has invested in the Russell 3000 Index Plus Strategy since December 2005.

Western Asset Management Company

Western Asset Management Company actively manages an enhanced index portfolio for the WSIB. The portfolio is based on a synthetic strategy that uses futures to track the S&P 500 index, and invests the uncommitted cash in a basket of actively managed short-term fixed-income securities. The firm's sole business is managing fixed-income portfolios for large institutional clients, an activity it has pursued for over 30 years. The WSIB portfolio has been managed by Western Asset since January 2006.

Indexed

Barclays Global Investors (BGI)

It is the WSIB's current policy to manage 100 percent of the U.S. equity portfolio in a low-cost broad-based index fund. BGI manages the entire U.S. equity portfolio in a commingled fund designed to track the Dow Jones Wilshire 5000 Index, although it does not specifically replicate the index. The WSIB has been using the Dow Jones Wilshire 5000 Index fund since June 1998. However, BGI has been managing money in other funds for the WSIB since 1982.

Passive

State Street Global Advisors

It is the policy of WSIB to manage a portion of the International developed markets portfolio in a low cost broad-based index fund. Accordingly, SSgA manages a replicated commingled index fund on behalf of the WSIB that is designed to passively track the MSCI EAFE plus Canada Indexes (which are the most widely-accepted index proxies for developed markets equities). The WSIB has been using SSgA's MSCI EAFE + Canada Fund since 1994.

Barclays Global Investors (BGI)

BGI provides the WSIB with an international developed markets enhanced index equity commingled fund, the World ex-U.S. Alpha Tilts Strategy. This strategy is a bottom-up, style-neutral quantitative strategy designed to outperform the MSCI World ex-U.S. Index by 50 to 100 basis points net of fees on a rolling three year average, while incurring a low level of risk of 2 percent or less. BGI's Alpha Tilts investment philosophy holds that superior investment outcomes are most reliably reached through Total Performance Management, the management of return, risk, and cost. They believe that markets are not perfectly efficient and that misvaluations can be used to systematically add value over time. The WSIB has invested in the World ex-U.S. Alpha Tilts Strategy since June 2004.

Goldman Sachs Asset Management (GSAM)

GSAM manages an international developed markets enhanced index equity portfolio for the WSIB. GSAM believes that the markets are not entirely efficient, and that the combination of traditional fundamental analysis and quantitative modeling can add value from diversified sources of return such as country, currency selection, and individual stock selections. They expect to outperform the MSCI World ex-U.S. Index by 75 basis points net of fees on a rolling three year average, while incurring a low level of risk of 2 percent or less. GSAM has been managing the enhanced index portfolio for the WSIB since June 2004.

Active Developed Markets

Arrowstreet Capital, L.P

Arrowstreet actively manages an international developed markets equity "core" portfolio for the WSIB. Arrowstreet believes it can profit by employing a disciplined quantitative process that exploits behavioral and informational opportunities. Behavioral opportunities are created by the systematic "mistakes" made by investors, including the tendency for investors to overreact, herd, and avoid regret. Informational opportunities are derived from investors not fully exploiting, on a timely basis, information that is relevant to prices. Criteria used to exploit these opportunities include measures of value, momentum, and earnings revisions. The investment team continually monitors the contribution from each of these factors and adapts the process to incorporate new investment insights as markets evolve. The WSIB portfolio has been managed by Arrowstreet since June 2004.

Capital Guardian Trust Company

Capital actively manages an international developed markets equity "core" portfolio for the WSIB. Capital uses a bottom-up, value driven approach to investing in international developed markets equity. The firm conducts extensive fundamental research and uses a system of multiple managers to manage individual segments of the portfolios. Each manager is free to make their decisions as to individual security, country and industry selection, timing, and percentage to be invested for their portion of the assets. The WSIB portfolio has been managed by Capital since June 2004.

Fidelity Management Trust Company (FMTC)

Fidelity actively manages an international developed markets equity "core" portfolio for the WSIB. FMTC uses a bottom-up approach to investing. The firm's process is rooted in its in-house fundamental research that covers 80-90 percent of the MSCI EAFE + Canada benchmark and does not pre-screen for size, style, or other characteristics. The WSIB portfolio has been managed by FMTC since June 2004.

LSV Asset Management

LSV actively manages an international developed markets equity "value" portfolio for the WSIB. The fundamental premise on which their investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. The strategy's primary emphasis is the use of quantitative techniques to select individual securities in what would be considered a bottom-up approach. A risk control discipline limits the over- or under-exposure of the portfolio to industry concentrations. Value factors and security selection dominate sector/industry factors in driving performance. The WSIB portfolio has been managed by LSV since August 2004.

Active Developed Markets Continued

Mondrian Investment Partners Limited (formerly Delaware)

Mondrian actively manages an international developed markets equity “value” portfolio for the WSIB. They identify value investments using a dividend discount-valuation model of future income streams. The investment analysis is applied consistently to individual securities across all markets and industries. Tied to the security selection is a top-down country allocation overlay that helps structure the portfolio. The WSIB portfolio has been managed by Mondrian since June 1999.

Julius Baer Investment Management (JBIM)

JBIM actively manages an international developed markets equity “growth” portfolio for the WSIB. JBIM believes that an approach driven by dynamic, fundamentally driven competitive analysis is the key to delivering consistent risk-adjusted long-term performance. The international equity team’s research process is primarily based on fundamental assessment of companies, sectors, and macroeconomic influences on regions and countries. Country allocations are a result of the security selection process. The WSIB portfolio has been managed by JBIM since June 2004.

William Blair & Company (WB)

WB actively manages an international developed markets equity “growth” portfolio for the WSIB. WB focuses on companies with above-average growth prospects, where growth can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. The WSIB portfolio has been managed by WB since June 2004.

Active Emerging Markets

Capital International, Inc.

Capital manages an active emerging markets equity portfolio for the WSIB. Capital utilizes a Multiple Portfolio Manager System that enables several key decision makers to work on each account by dividing the portfolio into smaller segments. Each manager is free to make their decisions as to individual security, country and industry selection, timing, and percentage to be invested for their portion of the assets. The aggregate portfolio does not have a formal policy regarding asset and country diversification and tends to have a value bias. The WSIB has been invested in Capital’s Emerging Markets Growth Fund since the middle of the second quarter of 2001.

F&C Emerging Markets Limited

F&C manages an active emerging markets equity portfolio for the WSIB. The country selection process analyzes market valuation, as well as economic, fiscal, and monetary factors to create 12-month market return forecasts for each country. The return forecasts are used in conjunction with political stability analysis to set country allocations, which are divided between the ten largest core markets (85 percent) and satellite markets (15 percent). Bottom-up fundamental analysis is used to identify companies possessing the following characteristics: strategic position in their respective industry, management quality and integrity, and a sound financial position. The WSIB has been invested in F&C’s Emerging Market Commingled Trust since the fourth quarter of 1996.

Grantham, Mayo, Van Otterloo (GMO)

GMO manages an active emerging markets portfolio for the WSIB. GMO uses a quantitative investment process. Top-down country allocation is based on market valuations, macroeconomic fundamentals, relative performance, stock valuation, and subjective judgment. The stock selection process utilizes a model that is customized for each country and incorporates three factors: value, neglect, and momentum. GMO seeks to invest in cheap countries, sectors, and stocks so its portfolios generally exhibit P/E ratios below those of the index benchmarks. The WSIB has been invested in GMO’s Emerging Market Strategy Fund since the fourth quarter of 1996.

Asset Allocation Policy

The targets will adjust annually toward the long-term asset allocation policy, which is 23 percent U.S. equity, 23 percent non-U.S. equity, 25 percent fixed income, 17 percent private equity, and 12 percent real estate. The interim target for 2006 is 24.5 percent U.S. equity, 23 percent non-U.S. equity, 27.5 percent fixed income, 15.5 percent private equity, and 9.5 percent real estate.

CTF (Commingled Trust Fund)

The investment trust fund that pools the assets of most of the Washington State retirement funds to permit more efficient management and to reduce administrative costs. The retirement accounts included in the CTF are: PERS 1, 2 & 3; TRS 1, 2 & 3; LEOFF 1 & 2; SERS 2 & 3; WSPRS 1 & 2; and Volunteer Firefighters. Starting in July 2006 there will be a new fund, PSERS 2.

Passive Benchmark

The Passive Benchmark is currently 52 percent Dow Jones Wilshire 5000 Index, 25 percent Lehman Universal Index, and 23 percent MSCI ACWI ex U.S. The percentages have changed as the portfolio was rebalanced to meet the target asset allocation policy. This portfolio is a 'passive' representation of the CTF.

Implementation Value Added

The objective is to exceed the return of the custom benchmark consisting of the public market indices, as defined in each asset class's policy, weighted according to the asset allocation targets. This custom benchmark differs from the passive benchmark as it is not an investable benchmark due to the uninvestable premium added to the real estate and private equity passive benchmarks.

TUCS Public Fund > \$1 Billion Median

Trust Universe Comparison Services median return of other public funds. There are currently 65 funds in the universe with a median asset size of slightly over \$16.9 billion.

TUCS Public/Corporate Fund > \$1 Billion Median

Trust Universe Comparison Services median return of corporate and public funds. There are currently 151 funds in the universe with a median asset size of approximately \$5.0 billion.



Defined Contribution Plans

Quarterly Report - December 31, 2005

Market Values and Distributions

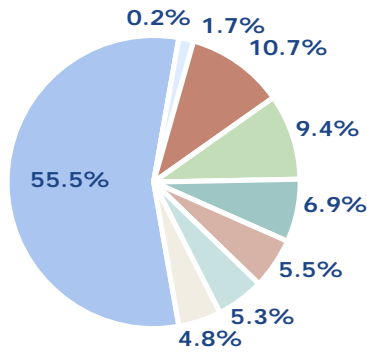
TRS Plan 3	1
SERS Plan 3	2
PERS Plan 3.....	3
DCP.....	4
JRA	5

Investment Performance

Balanced, Bond, and Cash Options.....	6
Equity Options	7



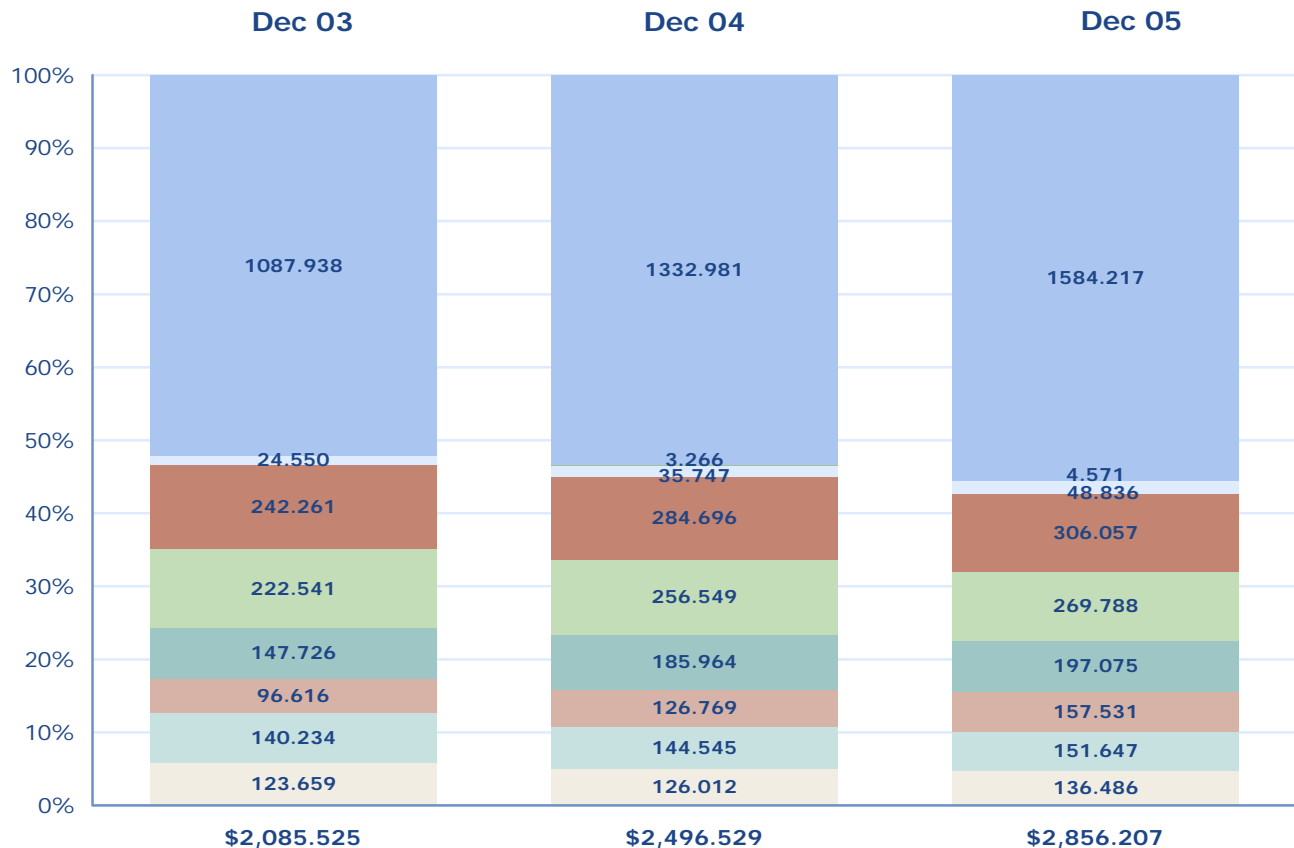
Market Values and Distributions



Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 1,631,263,200	\$ 83,178,963
Social Balanced Fund	4,570,816	195,231
Short-Horizon Fund	6,492,277	188,167
Mid-Horizon Fund	19,951,403	2,402,556
Long-Horizon Fund	22,392,672	1,910,102
U.S. Stock Fund	306,056,780	5,936,699
U.S. Large Stock Fund	269,787,559	6,326,234
U.S. Small Stock Fund	197,074,980	3,707,071
International Index Fund	157,530,655	11,194,176
Bond Market Fund	151,646,894	509,388
Money Market Fund	136,486,315	1,779,093
Total Fund	\$ 2,903,253,550	\$ 117,327,680

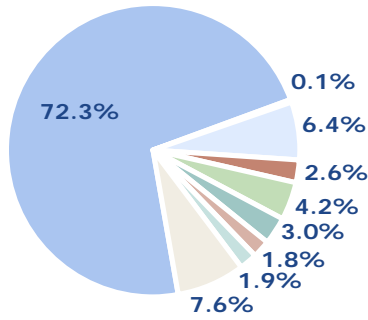
Historical Distributions

In Millions





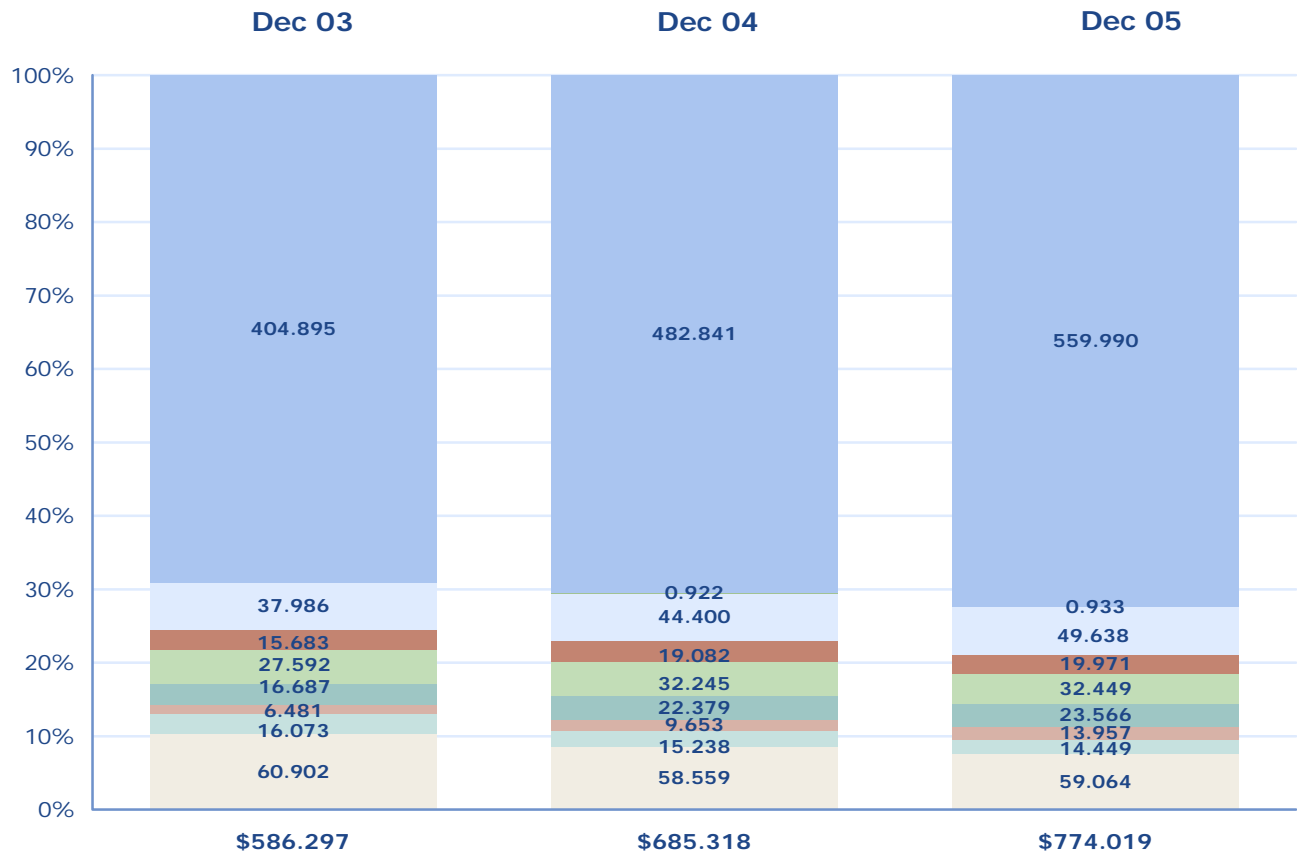
Market Values and Distributions



Option	Market Value	Quarterly Change
WSIB TAP Fund	\$ 574,680,635	\$ 25,886,565
Social Balanced Fund	932,796	(102,036)
Short-Horizon Fund	6,186,991	357,645
Mid-Horizon Fund	23,394,052	792,760
Long-Horizon Fund	20,057,210	986,767
U.S. Stock Fund	19,971,361	149,584
U.S. Large Stock Fund	32,449,119	142,787
U.S. Small Stock Fund	23,566,293	544,652
International Index Fund	13,957,394	1,912,690
Bond Market Fund	14,449,374	(591,358)
Money Market Fund	59,064,068	25,958
Total Fund	\$ 788,709,293	\$ 30,106,014

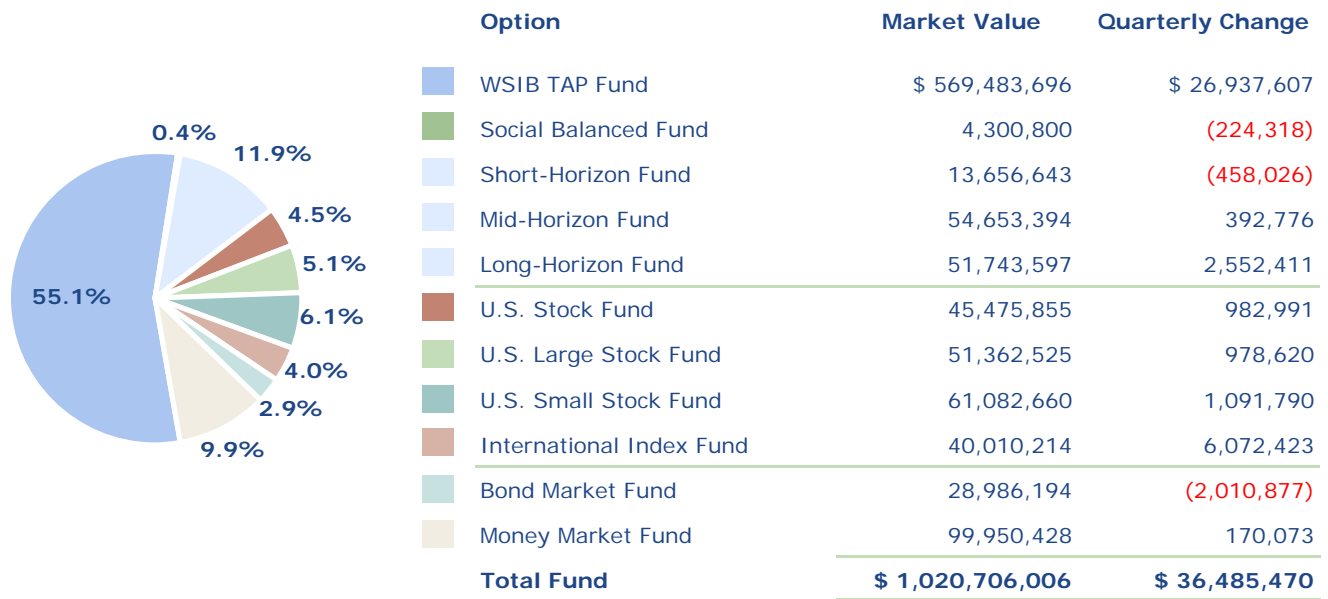
Historical Distributions

In Millions



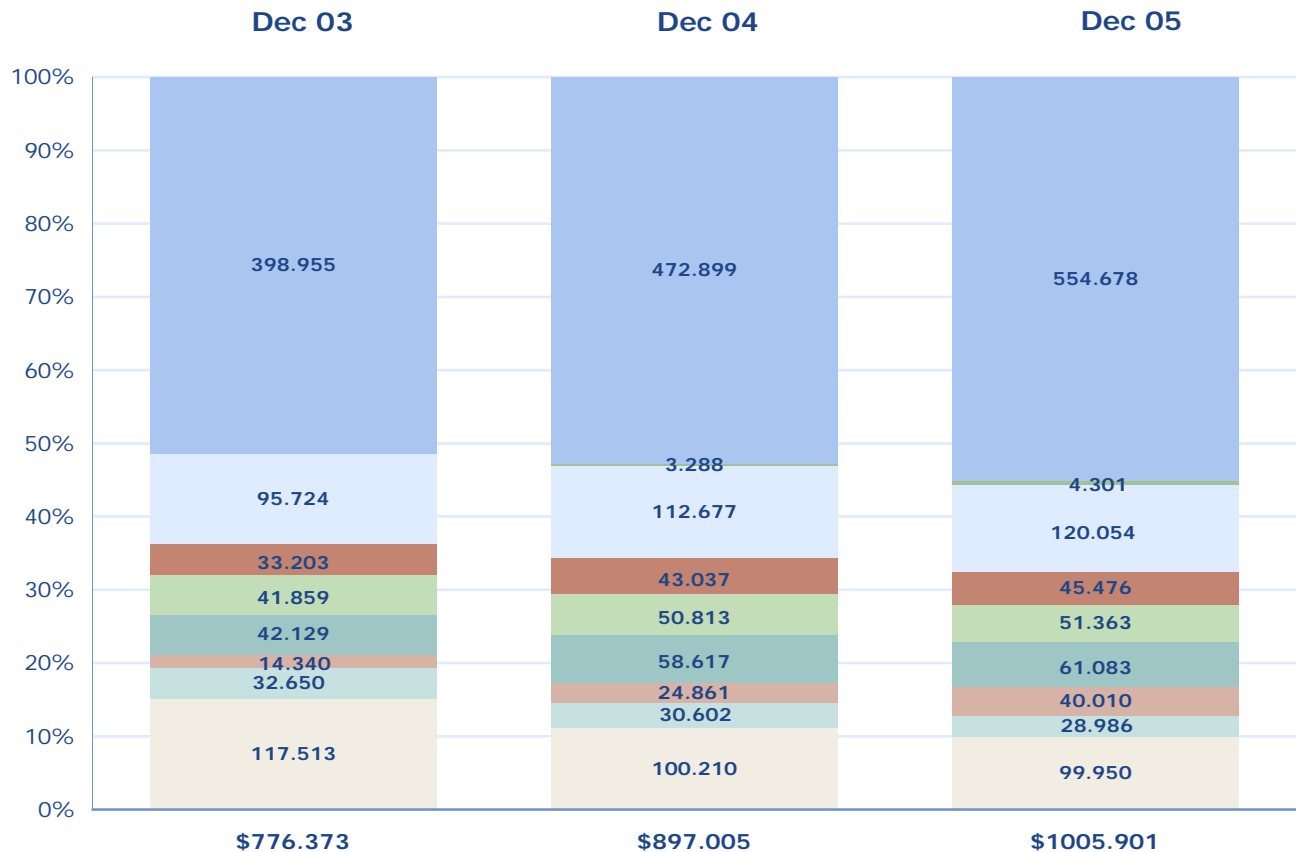


Market Values and Distributions



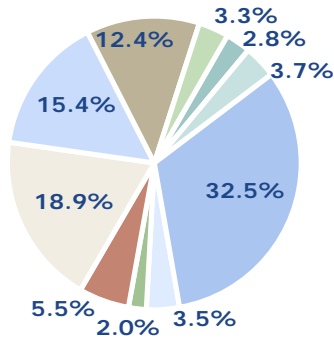
Historical Distributions

In Millions





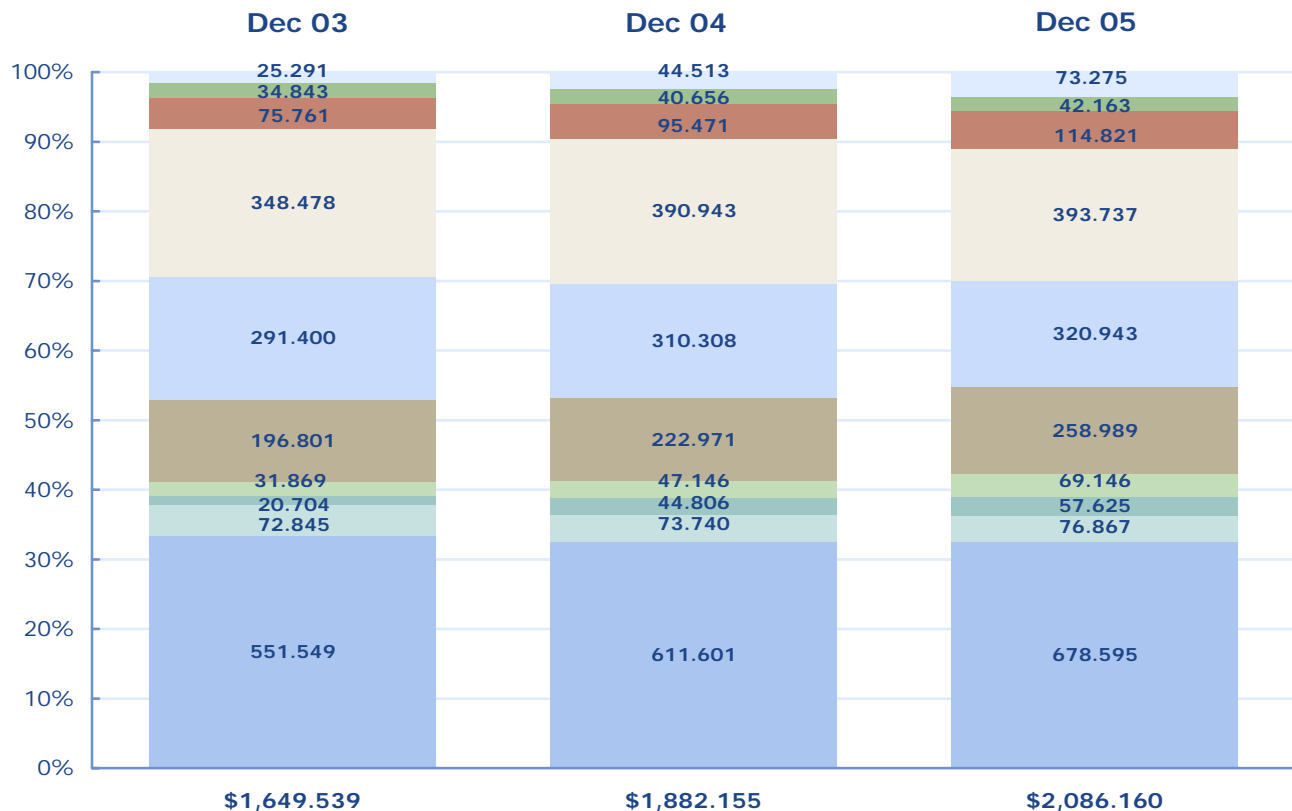
Market Values and Distributions



Option	Market Value	Quarterly Change
Short-Horizon Fund	\$ 13,525,740	\$ 1,362,165
Mid-Horizon Fund	31,539,971	3,392,962
Long-Horizon Fund	28,208,828	3,823,066
Social Balanced Fund	42,162,896	1,082,270
U.S. Stock Market Index	114,820,940	4,844,196
Equity-Income/Active Value	393,736,701	3,059,001
Independence/Active Core	320,943,384	6,446,253
Growth Company Fund	258,989,361	20,509,225
International Stock Fund	69,145,565	11,649,060
U.S. Small Stock Fund	57,624,793	1,235,929
Bond Market Fund	76,866,596	(73,457)
Savings Pool	678,595,314	12,703,804
Total Fund	\$ 2,086,160,089	\$ 70,034,473

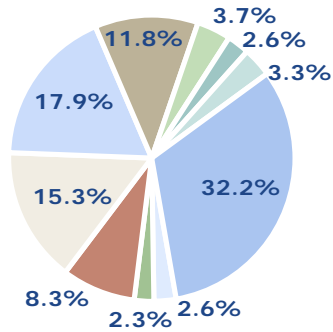
Historical Distributions

In Millions





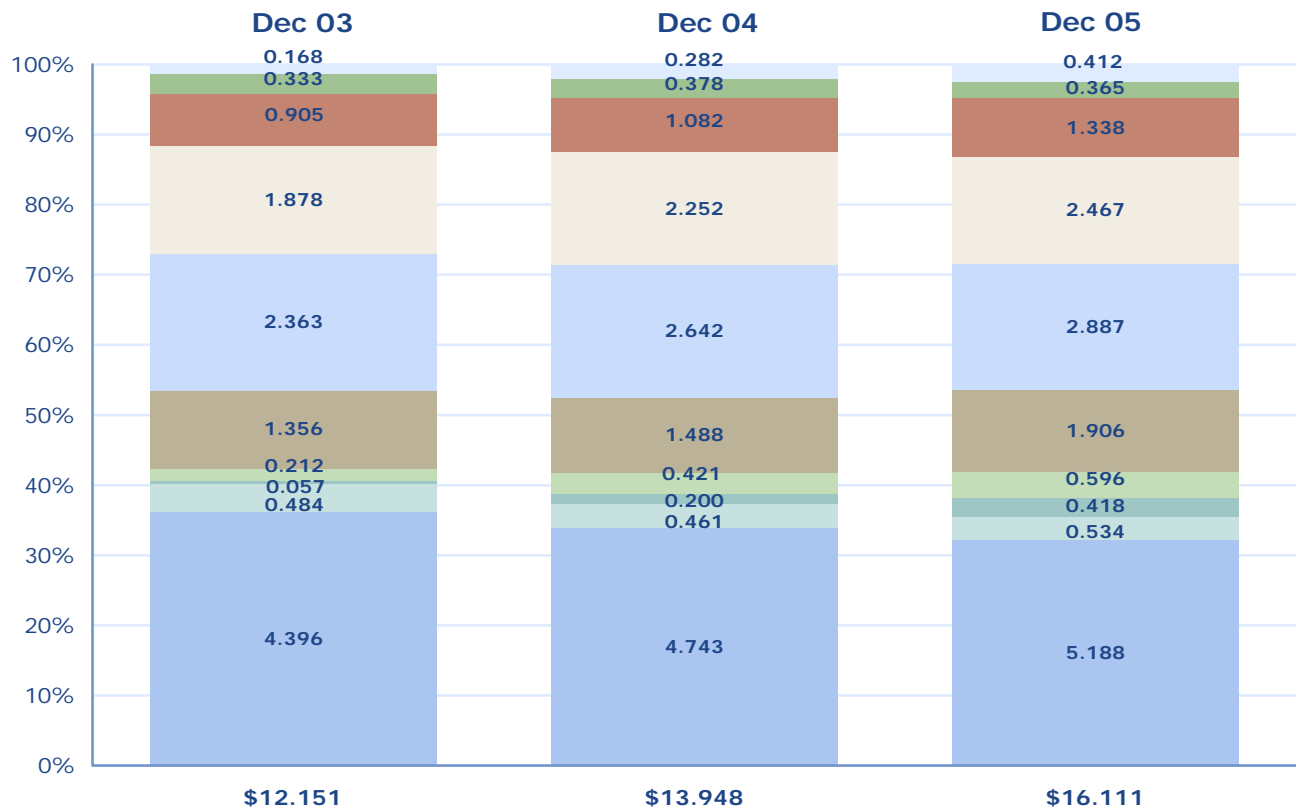
Market Values and Distributions



Option	Market Value	Quarterly Change
Short-Horizon Fund	\$ 74,373	\$ 3,991
Mid-Horizon Fund	237,331	71,549
Long-Horizon Fund	99,798	18,021
Social Balanced Fund	365,336	14,718
U.S. Stock Market Index	1,338,062	(63,998)
Equity-Income/Active Value	2,466,593	101,020
Independence/Active Core	2,887,233	116,324
Growth Company Fund	1,906,194	205,471
International Stock Fund	595,910	142,713
U.S. Small Stock Fund	418,255	13,668
Bond Market Fund	533,673	2,525
Savings Pool	5,188,264	77,720
Total Fund	\$ 16,111,023	\$ 703,722

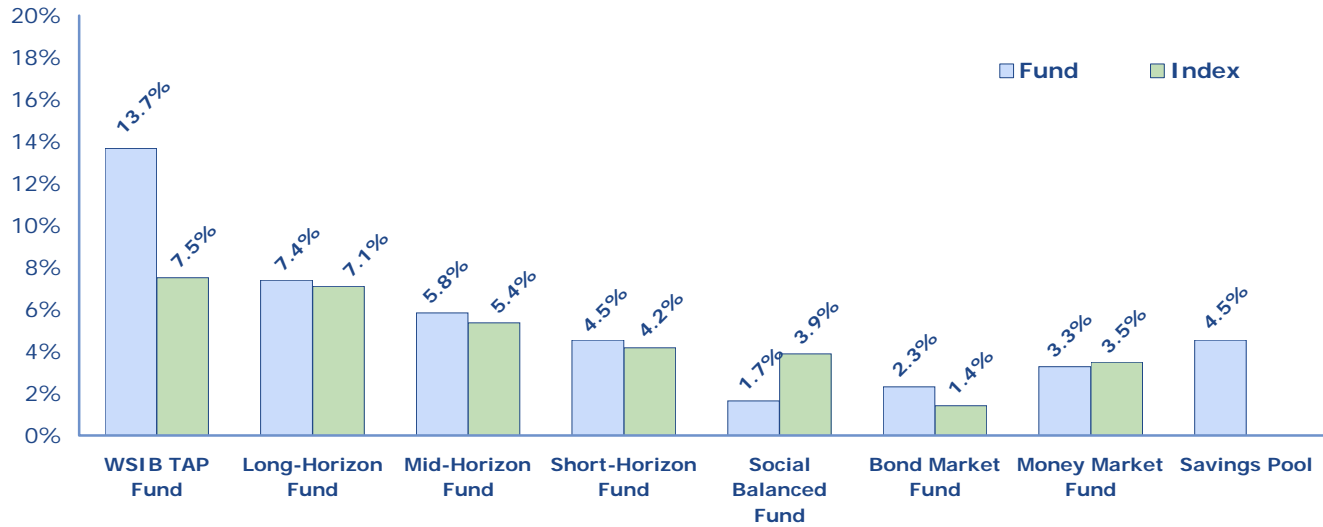
Historical Distributions

In Millions





One Year Returns



*Uses current managers' returns. Return shown is after manager and portfolio expenses but before the WSIB and record keeping fees.

Balanced Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
WSIB TAP Fund	3.83%	13.67%	15.48%	6.23%	9.63%
Custom Benchmark	2.55%	7.51%	14.96%	4.23%	8.06%
Long-Horizon Fund	2.31%	7.39%	15.46%	3.62%	N/A
Custom Benchmark	2.31%	7.10%	15.65%	3.98%	8.10%
Mid-Horizon Fund	1.78%	5.84%	11.80%	4.61%	N/A
Custom Benchmark	1.72%	5.36%	11.97%	5.01%	7.61%
Short-Horizon Fund	1.36%	4.54%	7.70%	4.44%	N/A
Custom Benchmark	1.31%	4.17%	7.88%	4.78%	6.55%
Social Balanced Fund	2.24%	1.65%	N/A	N/A	N/A
Custom Benchmark	1.43%	3.88%	9.56%	3.27%	8.11%

Bond Funds

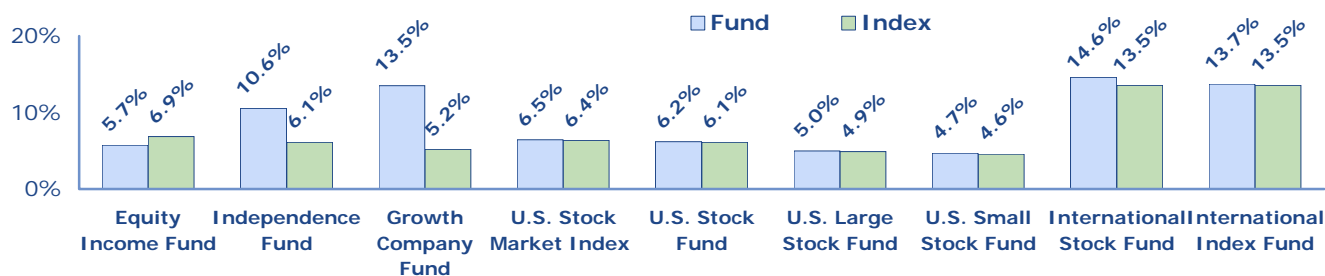
	Qtr.	1 Year	3 Year	5 Year	10 Year
Bond Market Fund	0.58%	2.31%	4.08%	6.03%	N/A
Lehman Intermediate Credit	0.39%	1.42%	4.11%	6.41%	6.20%

Cash Funds

	Qtr.	1 Year	3 Year	5 Year	10 Year
Money Market Fund	1.02%	3.28%	1.95%	2.41%	4.07%
One Month LIBOR	1.07%	3.49%	2.08%	2.41%	4.15%
Savings Pool	1.12%	4.54%	4.99%	5.51%	6.09%



One Year Returns



*Uses current managers'/funds' returns and returns from other portfolios with same investment strategy but different fees to produce a ten-year history. Return shown is after manager and portfolio expenses but before the WSIB and record keeping fees and does not include any return attributed to rebates.

Active U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
Equity Income Fund	3.04%	5.74%	15.21%	3.77%	9.50%
Russell 3000 Value	1.21%	6.85%	17.89%	5.86%	11.04%
Independence Fund	3.85%	10.55%	15.14%	-1.33%	9.33%
Russell 3000	2.04%	6.12%	15.90%	1.58%	9.20%
Growth Company Fund	6.10%	13.50%	21.62%	-2.21%	10.27%
Russell 3000 Growth	2.86%	5.17%	13.78%	-3.15%	6.48%

Passive U.S. Equity

	Qtr.	1 Year	3 Year	5 Year	10 Year
U.S. Stock Market Index	2.17%	6.46%	16.39%	2.06%	9.35%
Dow Jones Wilshire 5000	2.21%	6.38%	16.35%	2.10%	9.15%
U.S. Stock Fund	2.04%	6.18%	15.88%	1.59%	N/A
Russell 3000	2.04%	6.12%	15.90%	1.58%	9.20%
U.S. Large Stock Fund	2.11%	4.99%	14.43%	0.58%	N/A
S&P 500	2.09%	4.91%	14.39%	0.54%	9.07%
U.S. Small Stock Fund	1.07%	4.70%	22.06%	8.25%	N/A
Russell 2000	1.13%	4.55%	22.13%	8.22%	9.26%

Active International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Stock Fund	4.32%	14.59%	N/A	N/A	N/A
MSCI EAFE	4.08%	13.54%	23.68%	4.55%	5.84%

Passive International

	Qtr.	1 Year	3 Year	5 Year	10 Year
International Index Fund	4.04%	13.71%	22.81%	3.44%	N/A
MSCI EAFE	4.08%	13.54%	23.68%	4.55%	5.84%



Daily Priced Investment Options

Quarterly Report - December 31, 2005

Savings Pool	1
Bond Fund	2
Horizon Funds	3

Size \$ 682,352,306

Characteristics
Average Maturity

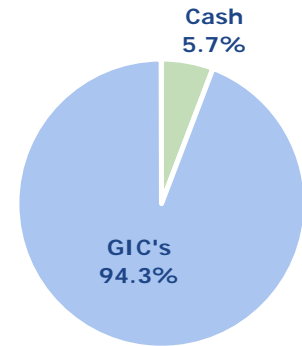
2.2 Years

Average Yield

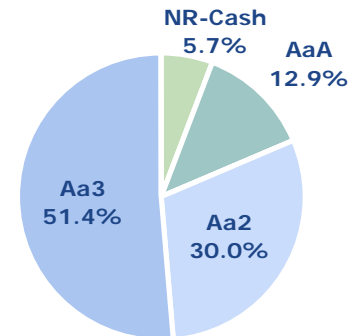
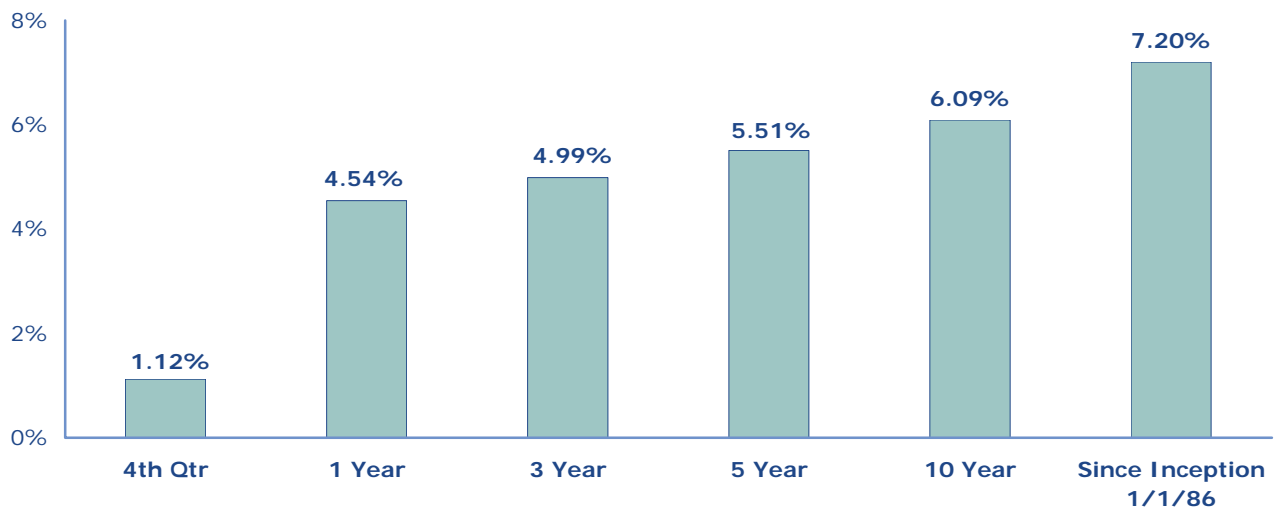
4.62%

Number of Holdings

33

Composition Distribution

Top Ten GIC Issuers

Metropolitan Life Insurance Co.	19.39%
New York Life Insurance Corp.	12.89%
John Hancock Life Insurance Co.	11.90%
ING USA Annuity & Life Insurance Co.	11.36%
Monumental Life Insurance Co.	10.11%
Hartford Life Insurance Co.	9.60%
Pacific Life Insurance Co.	7.52%
Principal Life Insurance Co.	6.96%
Genworth Life and Annuity Assurance	2.90%
Allstate Life Insurance Co.	1.66%

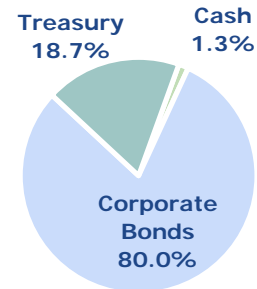
Rating Distribution

Return


Size \$ 376,892,824

Characteristics

	Fund	Index
Average Maturity	4.6 years	5.1 years
Yield to Maturity	4.51%	5.12%
Modified Duration	3.88	4.17
Average Coupon	4.63%	5.56%
Number of Holdings	132	2166

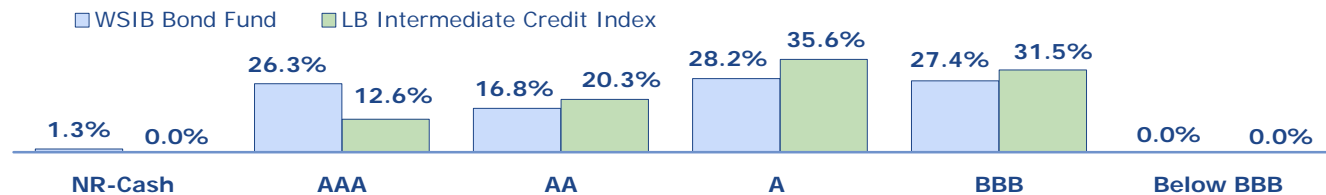
Asset Class Distribution



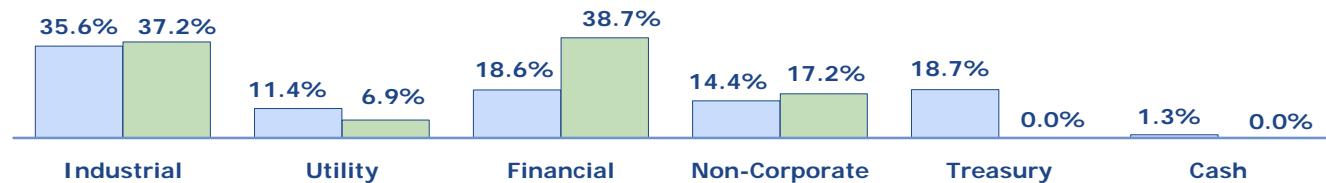
Top Ten Credit Issuers

Quebec, Province Of	1.60%	Raytheon Company	0.89%
Manitoba, Province Of	1.07%	Burlington Northern Santa Fe Corporation	0.87%
Norfolk Southern Corporation	0.91%	Northern Trust Company	0.86%
British Sky Broadcasting Group Plc	0.90%	Nisource Finance Corporation	0.86%
Santander Central Hispano Issuances	0.90%	Baker Hughes Incorporated	0.84%

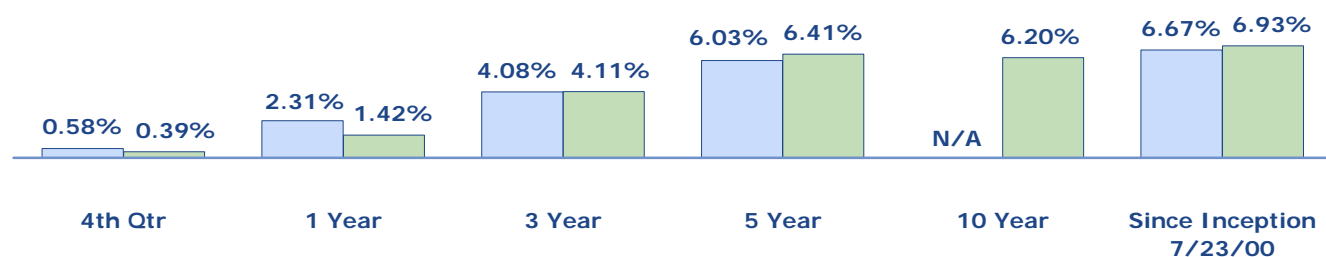
Rating Distribution



Industry Distribution



Return

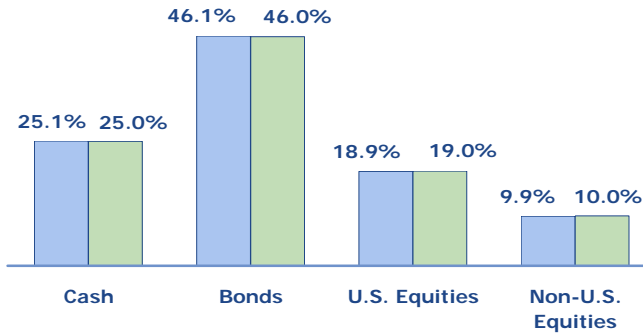
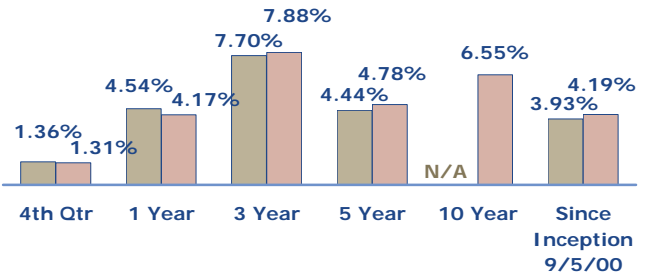
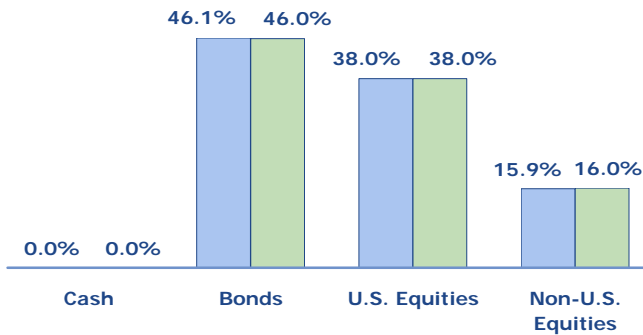
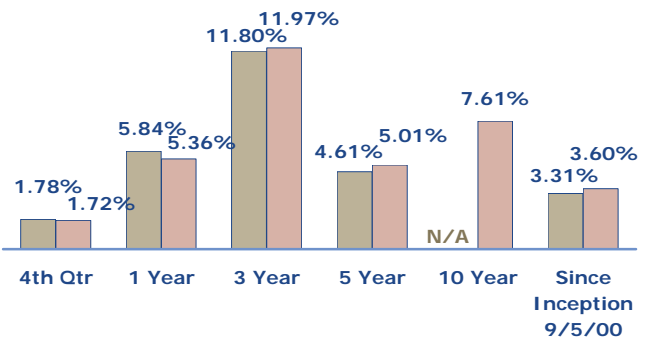
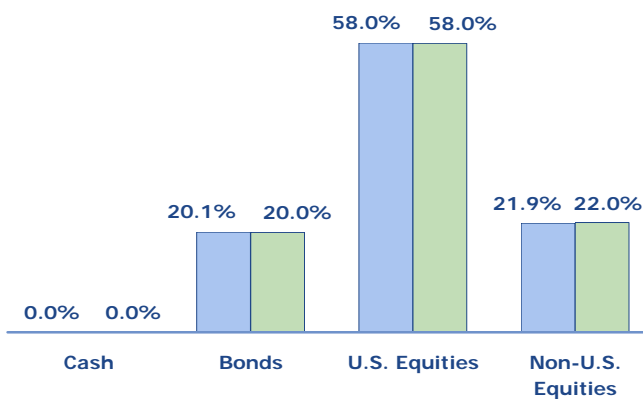


 Horizon Fund

 Target

 Horizon Fund

 Benchmark

Short-Horizon \$ 39,921,527
Asset Allocation

Return

Mid-Horizon \$ 129,827,929
Asset Allocation

Return

Long-Horizon \$ 122,508,602
Asset Allocation

Return




Labor and Industries' Funds

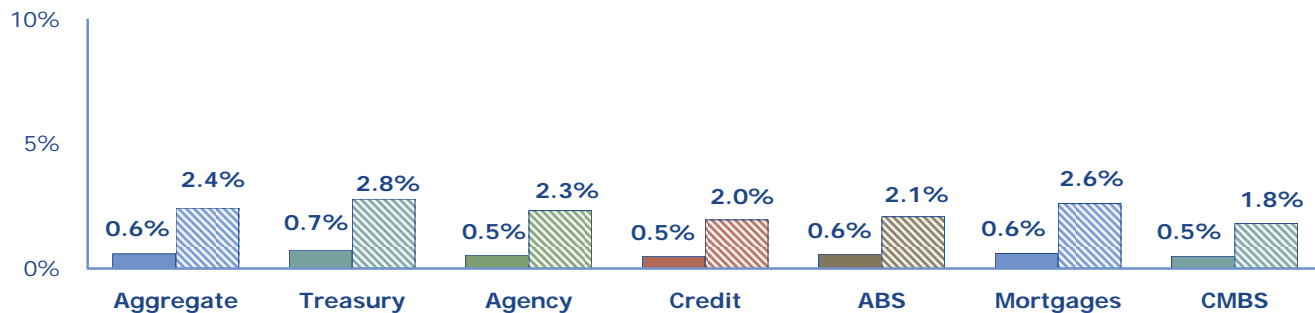
Quarterly Report - December 31, 2005

Capital Markets	1
Market Values and Asset Allocation	2
Performance and Durations Versus CMI	3

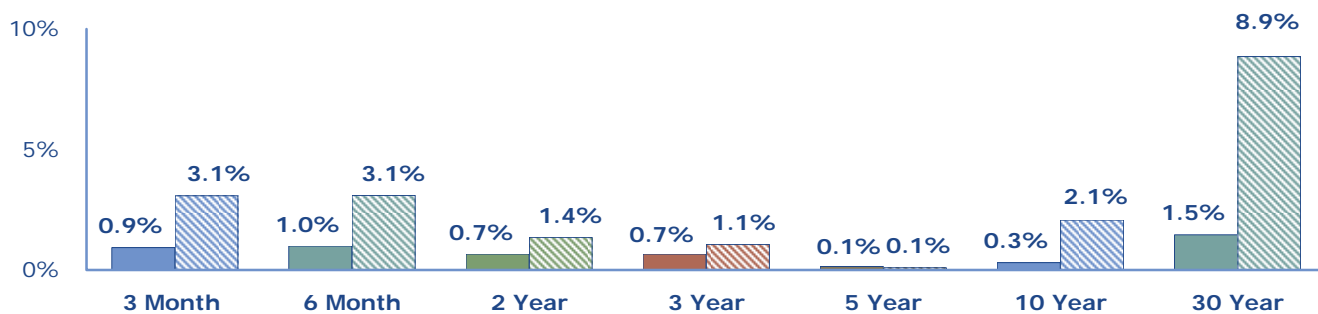


One Quarter Performance - solid bars
One Year Performance - patterned bars

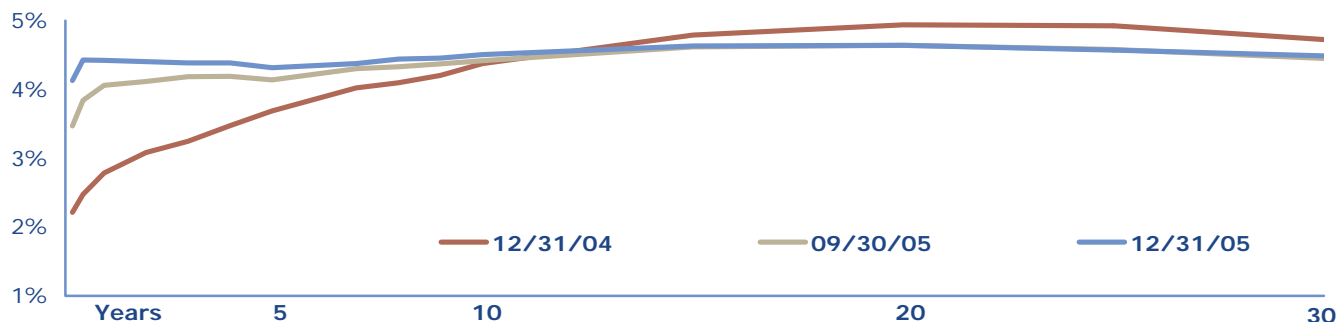
Asset Class Returns (using Lehman Brothers indices)



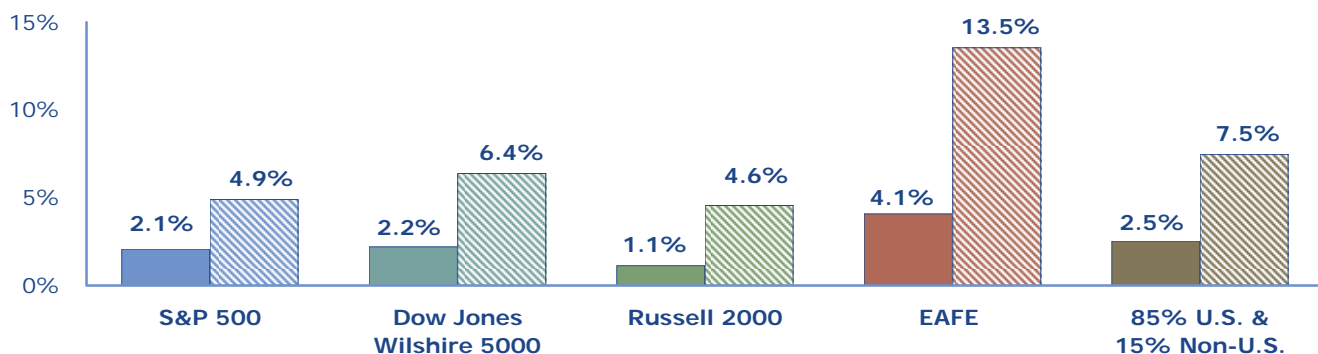
Treasury Return by Maturity



Yield Curve Using Treasury Strips

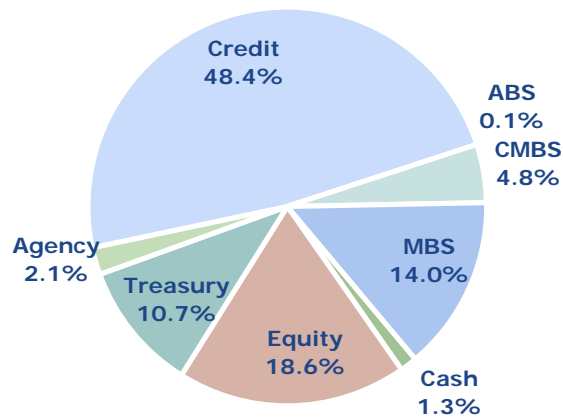


Equity Returns





Total Labor and Industries' Funds \$ 10,482,350,021



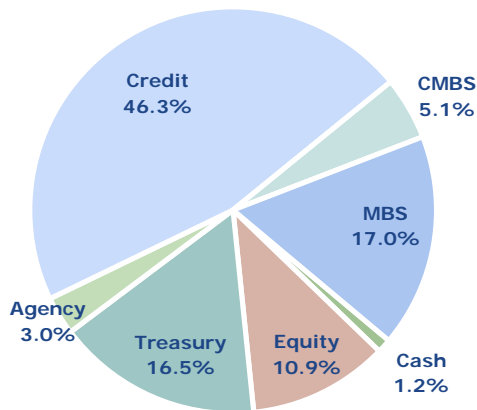
WSIB Policy Ranges for Equity

	Target	Range
Accident Fund	10%	8-12%
Medical Aid Fund	30%	24- 36%
Pension Reserve	10%	8-12%

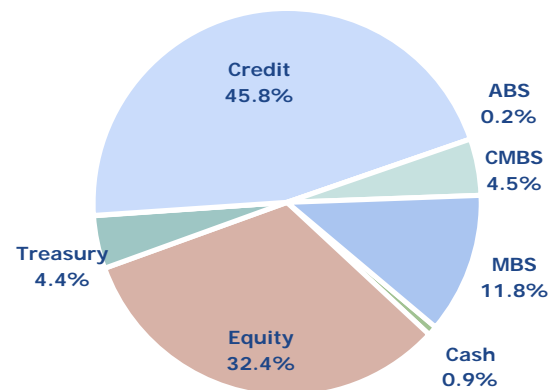
WSIB Policy Ranges for Fixed Income

	Range
U.S. Treasuries and Agencies	5-25%
Credit Securities	20-70%
Mortgage-Backed Securities (MBS)	0-25%
Asset-Backed Securities (ABS)	0-10%
Commercial Mortgage-Backed Securities (CMBS)	0-10%

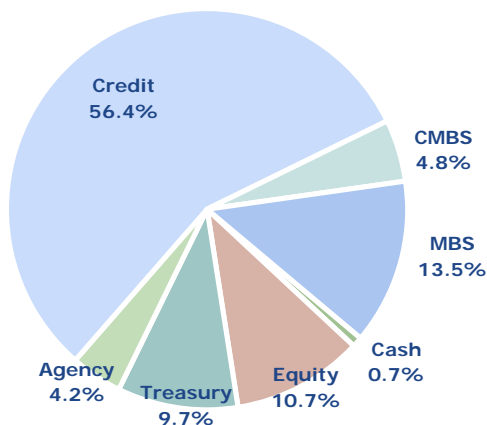
Accident Fund \$ 4,042,045,360



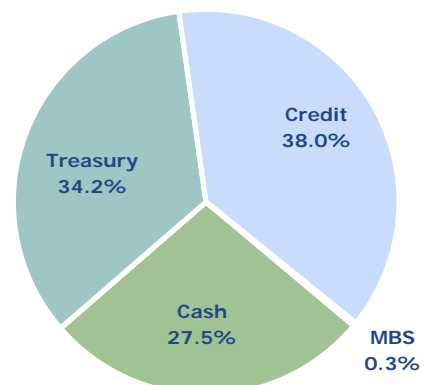
Medical Aid Fund \$ 3,814,280,825



Pension Reserve \$ 2,509,933,195

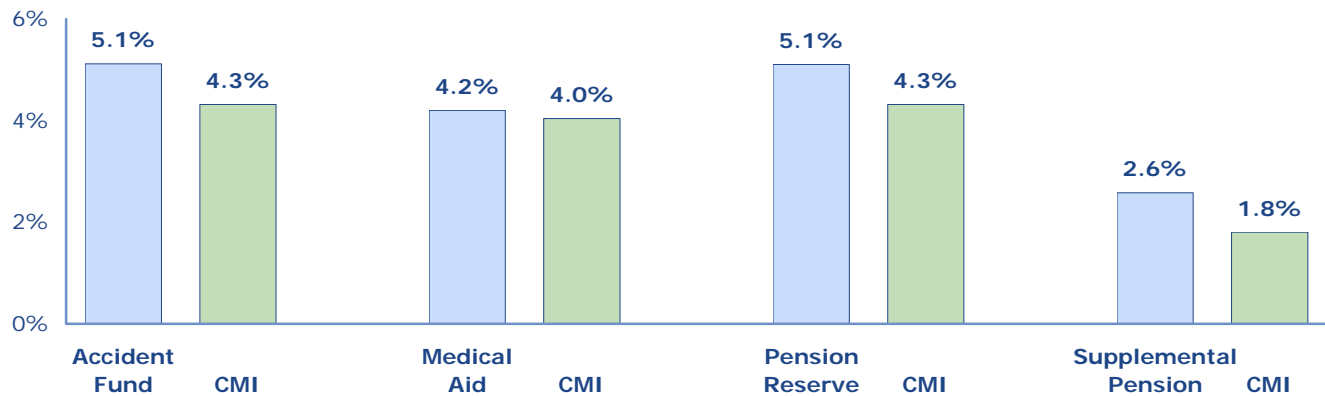


Supplemental Pension \$ 116,090,640





One Year Performance



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Accident Fund	1.13%	5.12%	7.52%	7.40%	7.12%
CMI	0.91%	4.32%	7.89%	7.62%	7.01%
Medical Aid	1.39%	4.20%	7.31%	5.67%	7.11%
CMI	1.17%	4.04%	7.99%	6.13%	7.17%
Pension Reserve	1.09%	5.10%	6.59%	8.39%	7.91%
CMI	0.91%	4.32%	6.59%	8.48%	7.56%
Supplemental Pension	1.02%	2.57%	2.19%	3.71%	4.82%
Supplemental Ex-Cash	0.73%	2.06%	2.75%	4.64%	5.32%
CMI	0.64%	1.80%	2.76%	4.88%	5.47%

Labor and Industries' Statutory Accounting Return *

	Qtr.	1 Year	3 Year	5 Year
Accident Fund	1.70%	7.11%	9.21%	6.71%
Medical Aid	1.71%	6.33%	9.30%	5.70%
Pension Reserve	1.66%	6.97%	8.49%	7.58%
Supplemental Pension	1.22%	3.77%	3.56%	3.71%

Duration

	CMI	Target	Actual	% Difference
Accident Fund	9.14	9.00	8.60	-4.43%
Medical Aid	5.97	6.00	5.80	-3.37%
Pension Reserve	9.14	9.00	8.91	-1.04%
Supplemental Pension	1.93	1.75-2.25	1.90	N/A

* Uses net income, realized and unrealized gains and losses on equity securities, and realized gains and losses on fixed income in the numerator. The denominator uses book value for fixed income securities and market value for equities. Below investment grade fixed income securities are carried at the lower of book or market value.



Permanent and Other Trust Funds

Quarterly Report - December 31, 2005

Permanent Funds

Market Values and Asset Allocation	1
Interest Income, Performance, and Duration	2

Other Trust Funds

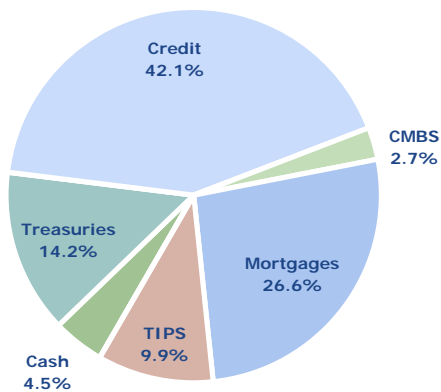
Market Values, Performance, and Asset Allocation	3
GET – Advanced College Tuition Payment Program	4
DDEF – Developmental Disability Endowment Fund	5



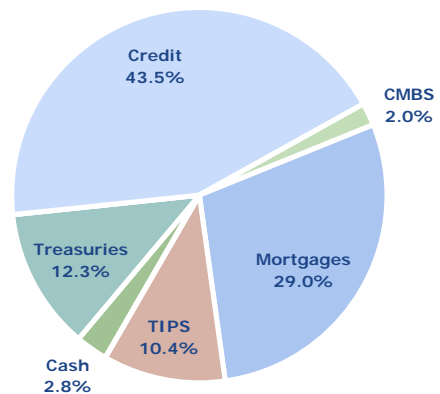
Permanent Funds - Market Values and Asset Allocation

Quarter Ended December 31, 2005

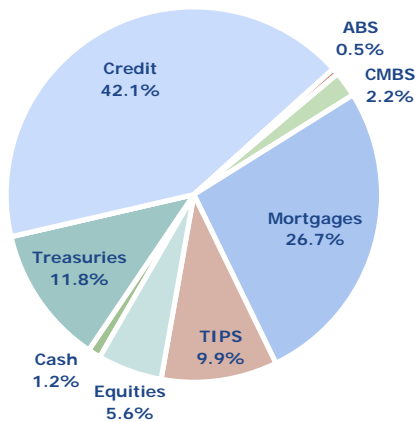
Agricultural Fund \$154,107,259



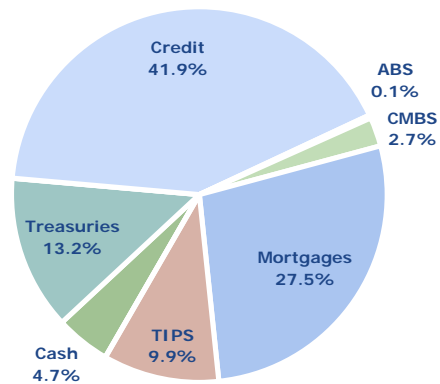
Normal School Fund \$ 211,208,200



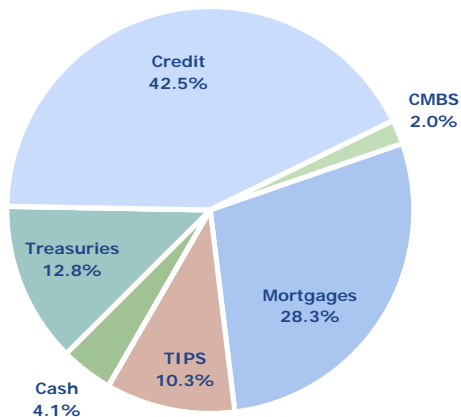
Common School Fund \$169,772,735



Scientific Permanent Fund \$169,211,523



State University Fund \$25,579,447



Millersylvania State Park Fund \$ 5,169

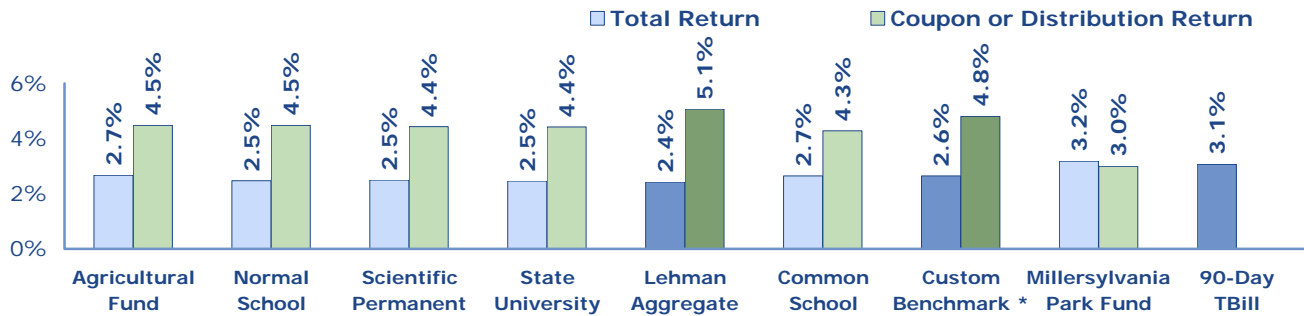
Assets of this fund are invested in a short-term investment fund (STIF).

WSIB Fixed Income Policy Ranges per Fund:

U.S. Treasuries and Agencies	10-50%
Investment Grade Credits	10-50%
Mortgage-Backed Securities	5-40%
Asset-Backed Securities (ABS)	0-10%
Commercial Mortgage-Backed Securities (CMBS)	0-10%



One Year



Balance

	Dec 05	Dec 04	Dec 00
Agricultural Fund	\$ 154,107,259	\$ 152,468,426	\$ 120,379,614
Normal School	\$ 211,208,200	\$ 212,679,622	\$ 191,437,620
Scientific Permanent	\$ 169,211,523	\$ 166,305,956	\$ 143,251,991
State University	\$ 25,579,447	\$ 25,439,532	\$ 22,212,304
Common School	\$ 169,772,735	\$ 172,232,587	\$ 156,133,072
Millersylvania Park Fund	\$ 5,169	\$ 5,160	\$ 5,180

Returns

	Total Return					Distribution Return			
	Qtr.	1 Year	3 Year	5 Year	10 Year	Qtr.	1 Year	3 Year	5 Year
Agricultural Fund	0.74%	2.67%	3.47%	5.91%	6.08%	1.12%	4.48%	4.77%	5.51%
Normal School	0.59%	2.47%	3.49%	5.97%	6.12%	1.11%	4.47%	4.72%	5.43%
Scientific Permanent	0.61%	2.50%	3.56%	6.23%	6.10%	1.12%	4.44%	4.80%	5.55%
State University	0.59%	2.46%	3.40%	6.18%	6.20%	1.10%	4.42%	4.68%	5.42%
Lehman Aggregate	0.60%	2.43%	3.62%	5.87%	6.17%				
Common School	0.67%	2.65%	3.96%	6.12%	6.06%	1.06%	4.28%	4.51%	5.25%
Custom Benchmark *	0.68%	2.64%	4.15%	5.88%	6.14%				
Millersylvania Park Fund	0.99%	3.18%	1.85%	2.26%	3.93%	0.93%	3.00%	1.77%	2.30%
90 Day TBill	0.92%	3.07%	1.85%	2.34%	3.88%				

Fixed Income Duration

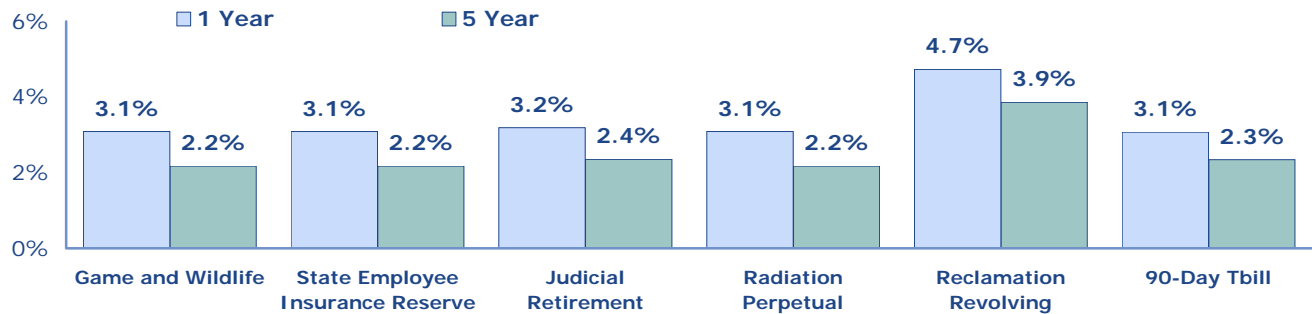
	Duration of Fund	Duration of Benchmark	Difference	% Difference
Agricultural Fund	4.68	4.57	0.11	2.48%
Normal School	4.61	4.57	0.05	1.00%
Scientific Permanent	4.56	4.57	-0.01	-0.19%
State University	4.61	4.57	0.04	0.91%
Common School	4.67	4.57	0.10	2.27%
Millersylvania Park Fund	0.10	0.25	N/A	N/A

* The custom benchmark for the Common School Fund is a combination of the Lehman Aggregate and Dow Jones Wilshire 5000 using the previous month-end weights adjusted for new purchases during the current month. For December 2005, the breakdown was 5.6% Dow Jones Wilshire 5000 and 94.4% Lehman Aggregate.

** Includes coupon income and amortization minus expenses and deferred losses based on book value.



One Year and Five Year Return



Total Return

	Qtr.	1 Year	3 Year	5 Year	10 Year
Game and Wildlife	0.97%	3.09%	1.76%	2.18%	4.02%
State Employee Insurance Reserve	0.97%	3.09%	1.76%	2.18%	3.89%
Judicial Retirement	0.96%	3.19%	1.86%	2.35%	4.02%
Radiation Perpetual	0.97%	3.09%	1.76%	2.18%	3.89%
Reclamation Revolving	1.18%	4.73%	4.07%	3.86%	4.74%
90-Day Tbill	0.92%	3.07%	1.85%	2.34%	3.88%

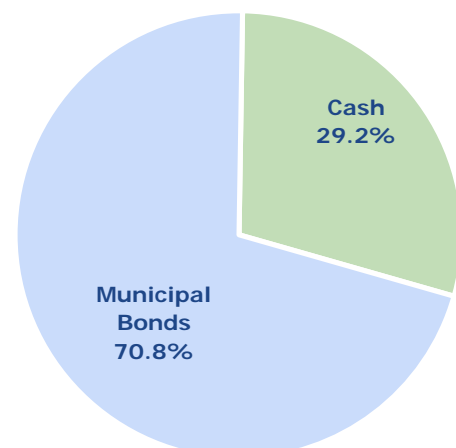
Market Value

	Dec 05	Dec 04	Dec 00
Game and Wildlife	\$ 9,234,580	\$ 9,946,828	\$ 11,085,058
State Employee Insurance Reserve	\$ 77,888,090	\$ 67,335,823	\$ 36,547,629
Judicial Retirement	\$ 807,542	\$ 3,370,560	\$ 9,205,159
Radiation Perpetual	\$ 292,001	\$ 283,250	\$ 266,165
Reclamation Revolving	\$ 370,232	\$ 353,521	\$ 995,265
Emergency Reserve Fund	\$ 66,565,017	\$ 0	\$ 540,399,093

Portfolio Allocations

The Game and Wildlife Fund, State Employee Insurance Reserve Fund, Judicial Retirement Fund, Radiation Perpetual Fund, and Emergency Reserve Fund are fully invested in short-term investment funds (STIF).

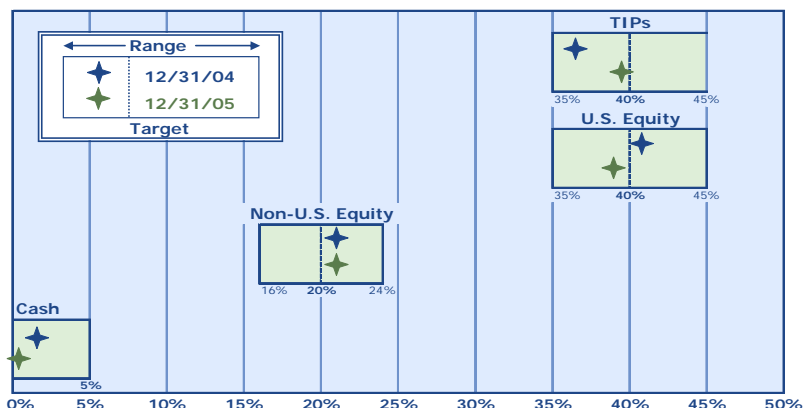
The Reclamation Revolving Fund (shown to the right) is invested in municipal bonds and STIF.



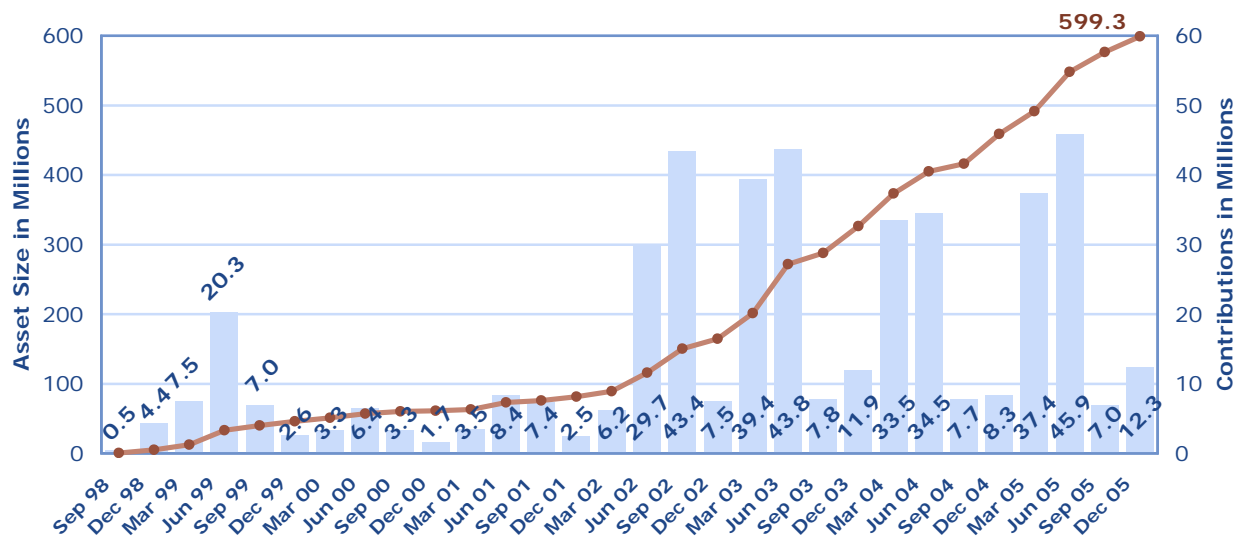


Portfolio Size and Allocation

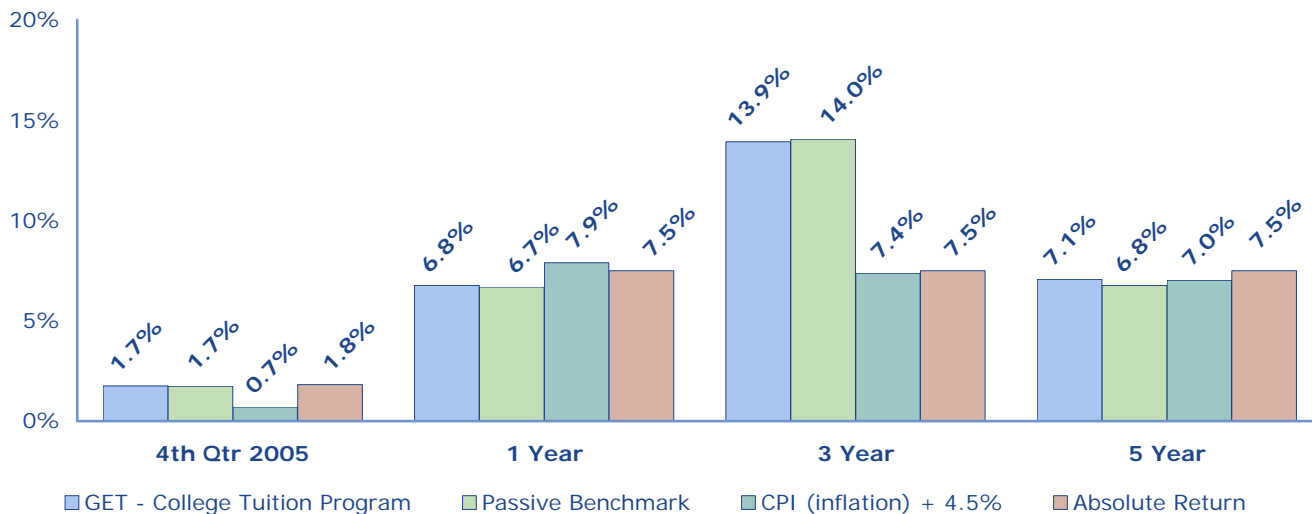
Total	\$599,280,787
Cash	2,218,417
Treasury Inflation Index Note (TIPs)	236,904,886
U.S. Equity	233,973,206
Non-U.S. Equity	126,184,278



Assets Under Management



Total Return





DDEF - State Funds

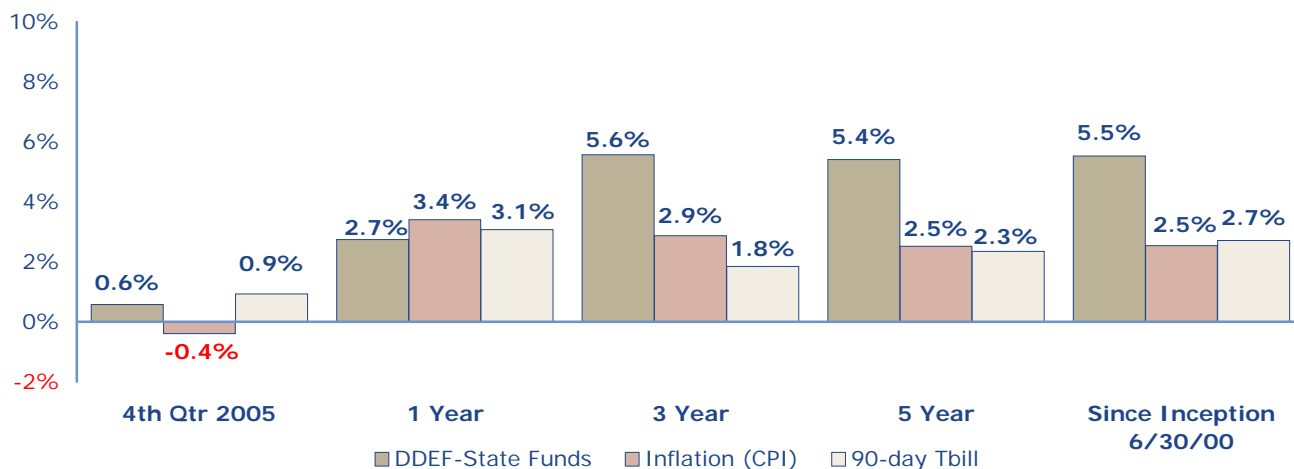
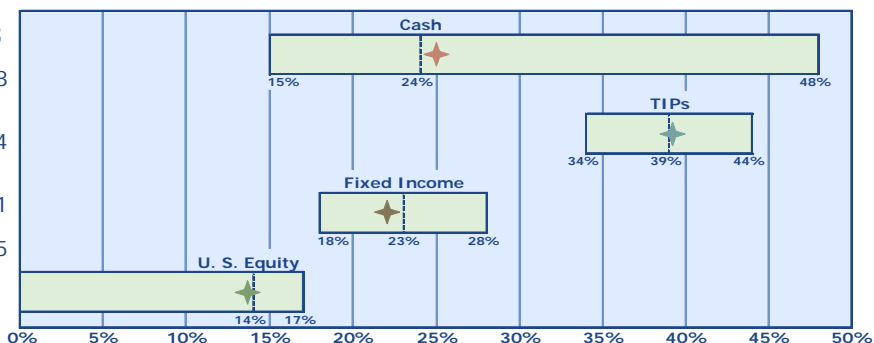
Total \$6,971,578

Cash 1,741,498

Treasury Inflation Index
Note (TIPs) 2,730,834

Fixed Income 1,537,471

U.S. Equity 961,775



DDEF - Private Funds

Total \$4,696,105

Cash 465,726

Balanced Fund 4,230,379

